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Division of Economics and History

John Bates Clark, Director

JAPANESE MONOGRAPHS

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Expenditures of the Sino-Japanese War, by Giichi Ono.
War and Armament Expenditures of Japan, by Giichi Ono.

EXPENDITURES OF THE RUSSO-JAPANESE WAR

Hisashi Oyama

BY

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NOTE BY THE DIRECTOR

The plans of the Division of Economics and History of the Carnegie Endowment for International Peace have been transformed by the World War. Problems now calling for study transcend in importance those with which this Division has been dealing and material for research and record so far transcends any that was formerly available that it will demand almost exclusive attention for some years to come.

The process of warfare itself is now so unlike that of former days that many military rules of the past have gone into the scrap basket. The late war ended when its deadliest tools had barely been brought into action. The peoples have fought as they had worked, by machinery; mechanical and chemical engines of destruction have decided the result and will decide in like manner the result of all wars of the future. Machine shops and chemical laboratories will so largely determine what armies shall win that fighting strength will be as much a matter of available capital and of science in applying it as of numbers of troops and strategy in directing them. It is safe to say that the death-dealing arts and instruments will far surpass in destructiveness those which made the late war so deadly, and to a soldier of the future the order to march into a cloud of poisonous gas and a whirlwind of missiles will resemble an order to plunge into the rapids of Niagara. This is one central and obvious fact which the war has taught us and it has many corollaries, some of which have to do with the increased costs of war and the importance of the particular resources that make a nation powerful for offense and defense; but there are less conspicuous economic facts which are more fundamental, since they may determine where and when, if at all, wars shall hereafter occur.

Causes of warfare are always partly economic and those which incited the recent one were mainly so. The business plans of a powerful state reached to the ends of the earth and so crossed and interlaced the claims of other states that some writers, then and afterwards, pronounced the war inevitable. If we assume a settled purpose on the part of such a

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state to encroach on the rights of others, we may say that it doubtless was inevitable. The victory of the defending countries has saved them from an immediate and intolerable domination, but it can not be taken as an assured fact that similar attempts will never again be made. The economic inducement continues and the means may at some time be forthcoming.

War has both centralized and somewhat democratized industry within the several states—a change that if continued will entail momentous consequences; but still greater effects have been produced on the relations of states to each other. The world as a whole has changed more than its component parts and the new relation of the parts to one another is the critical element in the situation. The great increase in the economic functions of governments is one cause of this condition. Within the great international community in which the several states are units extensive economic functions have gravitated into the hands of governments and caused them to face each other as business rivals and to deal with each other in a multitude of ways in which the merely self-seeking policy of private business is intolerable. Power to invoke principles of justice and international law as interpreted by a competent court has become an indispensable means of allaying strife and this fact exalts to supreme importance the high court of nations which has just been established. It magnifies also the importance of the economic facts and principles with which the law itself will have to deal. It is not merely individual men or private corporations who now meet each other in the rough and tumble of a world-wide mart but states themselves, each representing its own population and seeking to foster its interests as a zealous and faithful agent. The chances of friction that are inherent in ordinary commerce inhere today in vast international transactions and will increase in the measure in which the intercourse grows. All this means a great increase in incentives to warfare, on the one hand, and in the motives for preventing it, on the other. Private com-

merce unites more than it separates those who participate in it, and it remains to be seen whether international commerce will act in the same way; but, in view of what modern war means, the human race will deserve to perish, and much of it will probably do so, if the forces of strife are allowed to get the upper hand. Whether they will or not—whether the recent economic changes will tend to reduce warfare or to increase it—depends on the ability of nations to create and maintain the instrumentalities that in the new state of the world are necessary.

Certain it is that the feeling which prevails today, the world over, is not one of security. The dread of further war is greater than it was before 1914. In some areas war still prevails, in others peace is held by a precarious tenure and in all it can be firmly established only by conscious and intelligent action by the states themselves. Mere exhaustion holds war dogs temporarily in leash, but it will take more than that to tame them as they must be tamed if peace is to endure.

We here confront a wide difference between the several states in comparative desire for peace and disposition to maintain it. One portentous fact is the grim determination of Russian communists to extend their system by crude force from state to state. Bolshevism is government by the few, and largely the bad, masquerading as government for and by the people. In its mother country, Russia, the economic measure by which it began its career was confiscation of private wealth—in itself an ultra-democratic measure. If this had brought in a true communism, it would have been a ruthless and unjust measure for creating a peace-loving state. Democracy, socialism, communism and bolshevism all appear in the aftermath of the war. The first of them makes for future peace and so does even the conservative element in the second, while all else in the series means certainty of civil strife and danger of international war.

By a compulsion that there was no resisting, the war forced the nations of the Entente into economic cooperation with

each other. Commissions centering finally in the Supreme Economic Council adjusted in a harmonious way questions that would otherwise have led to rivalry and conflicting action in purchasing war materials, securing ships, apportioning food, controlling railroads, financing the war and doing a multitude of other things with the one common purpose of victory. The special compulsion of the struggle is over, but it has left an aftermath of issues grave enough to make peace insecure unless something equivalent to the Supreme Economic Council survives in full efficiency. The agency that did so much to win the war can do as much to prevent another one, but to that end it will have to be guided by economic principles and it is a saving fact that these still survive. The war has not abolished the law of demand and supply, though governments may forget it. In the coming era they must build better than they now know. Economic knowledge must either go in advance of action and prevent disaster or follow action and be learned from disaster.

The Japanese monographs in the present series have reference to wars which were concluded before the World War began. Although they were completed several years ago, their publication has been delayed as a result of war-time conditions. This series is to be followed by a series of studies of the World War itself, made under the direction of the same committee of accomplished Japanese scholars as the present one. Both series will contribute much to the solution of post-war problems in all parts of the world.

JOHN BATES CLARK,
Director.

NEW YORK,
February 1, 1923.

PREFACE

Since the Imperial Restoration in 1868 Japan has fought no less than three international campaigns, namely, the Sino-Japanese, the Russo-Japanese and the Germano-Japanese Wars. Of these the most sanguinary was the Russo-Japanese conflict.

In this greatest of the Far Eastern engagements, Japan staked everything, because she was pitted against a renowned military power whose troops were then reputed to be the strongest in the world. When its dreaded fighters covered in swarms the fields of Siberia and pressed down to the front, while its devastating warships approached the Japanese waters and threatened the annihilation of our navy, the hearts of fifty million men, women and children quaked for the safety of their country. And yet Japan unsheathed her sword valiantly, because she knew that her fate would be sealed should Russia be allowed to occupy Manchuria and extend her influence to Korea. This desperate struggle fortunately ended in our victory, but the sacrifices Japan made were by no means light.

Japan lost a large number of men in this campaign and millions of *yen* were unproductively spent. It was not an easy task to raise this enormous amount of war expenditures. Extraordinary special taxes were imposed and great public loans were floated, both for the same object. The former were devised as a temporary war measure, but the effects of the Russo-Japanese War on our national finance were so baneful that the extraordinary special taxes could not be abolished with the restoration of peace, and most of them are still being levied. It is not, therefore, too much to say that, even to this day, the people of Japan are groaning under a heavy burden of taxation, as a result of their war with Russia. The flotation of the war loans wrought yet weightier effects on our finance. Because large sums of money were borrowed from abroad, no small amount of interest has been paid year after year since the close of the war, and this in its turn has affected our exchange with foreign countries. This last, again,

has affected our foreign trade. On the other hand, as the total issue amount of war-time bonds increased, the circulation of convertible notes also gradually swelled and prices rapidly soared. Wages, however, did not rise in proportion, living became harder for the masses and the gulf between the rich and the poor visibly wider.

Turning our attention to the agricultural, industrial and commercial activities of the country, it may be observed that, in the early stage of the war, every branch suffered more or less. But the strenuous and persistent efforts of the people soon overcame the difficulties, the former prosperity was steadily recovered as one victory after another on land and sea was reported, and the foundation was laid for great development after the war. All this, therefore, may be called the bright side of the dark picture of carnage. The economic growth of Japan in the last twelve years, in short, has been stimulated by the Russo-Japanese War.

This work comprises the results of studies and investigations on the points referred to above. Its author is Mr. Hisashi Oyama, assistant in the Seminary of Economics in the Law College of the Kyoto Imperial University. He complied with my request to undertake the present task, went through a wide range of literature bearing on the subject, extensively culled statistics and spent a long time in research, before the results thus obtained were finally put down on paper. His first draft was much more comprehensive and extensive, but, in order to bring the volume within reasonable compass, it was necessary to omit some of his illuminating material. The author, therefore, asks the reader's leniency for whatever defects may be found in the arrangement of the material.

On behalf of the author, the assistance rendered him in completing this study by Mr. Yasuma Takata, lecturer at the Law College of the Kyoto Imperial University, is gratefully acknowledged by the editor.

GOTARO OGAWA.

KYOTO, JAPAN,
December, 1916.

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EXPLANATORY TABLES

Value of Japanese Currencies

Japan adopted the gold standard system in 1871, but the inconvertible paper money became principal currency a few years later. In 1886 the paper money became convertible into silver and after that date the Japanese currency system was the silver standard *de facto*, until on October 1, 1897, the gold standard system was legally adopted. The figures necessary to ascertain the value of Japanese currencies are given below:

(1) 1 gold *yen* (according to Coinage Law of 1871) contains 1.5 gramme pure gold.

(2) 1 gold *yen* (according to Coinage Law of 1897) contains 0.75 gramme pure gold.

(3) 1 silver *yen* contains 24.261 gramme pure silver.

(4) The value of 1 silver *yen* in the English currency (according to the demand rate of exchange on London in the average of the year) is as follows:

	s. d.		s. d.		s. d.
1874.....	4.02.0	1882.....	3.08.8	1890.....	3.04.5
1875.....	4.00.8	1883.....	3.07.9	1891.....	2.02.6
1876.....	3.11.2	1884.....	3.07.9	1892.....	2.10.5
1877.....	3.11.7	1885.....	3.06.0	1893.....	2.06.7
1878.....	3.09.4	1886.....	3.03.2	1894.....	2.01.2
1879.....	3.08.0	1887.....	3.02.0	1895.....	2.01.3
1880.....	3.08.9	1888.....	3.01.0	1896.....	2.02.0
1881.....	3.08.4	1889.....	3.01.1	1897.....	2.00.4

(5) The value of 1 *yen* of paper money in the English currency (calculated on the basis of the above mentioned exchange rate and the quotations of the silver price in the Tokyo Exchange in the average of the year) is as follows:

	s. d.		s. d.		s. d.
1877.....	3.10.1	1880.....	2.06.4	1883.....	2.10.7
1878.....	3.05.6	1881.....	2.02.1	1884.....	3.04.3
1879.....	3.00.3	1882.....	2.04.5	1885.....	3.03.7

(6) 1 *ryō* (unit of value of the old currency system) was declared in the Coinage Law of 1871 to be equal to 1 *yen*.

Chronological Table

Meiji 1st	1868 A. D.	Meiji 15th	1882 A. D.
" 2d	1869 "	" 16th	1883 "
" 3d	1870 "	" 17th	1884 "
" 4th	1871 "	" 18th	1885 "
" 5th	1872 "	" 19th	1886 "
" 6th	1873 "	" 20th	1887 "
" 7th	1874 "	" 21st	1888 "
" 8th	1875 "	" 22d	1889 "
" 9th	1876 "	" 23d	1890 "
" 10th	1877 "	" 24th	1891 "
" 11th	1878 "	" 25th	1892 "
" 12th	1879 "	" 26th	1893 "
" 13th	1880 "	" 27th	1894 "
" 14th	1881 "	" 28th	1895 "

Chronological Table—(*Continued*)

Meiji 29th	1896 A. D.	Meiji 41st	1908 A. D.
" 30th	1897 "	" 42d	1909 "
" 31st	1898 "	" 43d	1910 "
" 32d	1899 "	" 44th	1911 "
" 33d	1900 "	" 45th / Taisho 1st	1912 "
" 34th	1901 "	" 2d	1913 "
" 35th	1902 "	" 3d	1914 "
" 36th	1903 "	" 4th	1915 "
" 37th	1904 "	" 5th	1916 "
" 38th	1905 "	" 6th	1917 "
" 39th	1906 "		
" 40th	1907 "		

Weights, Measures and Money

With English, American, French and German Equivalents

Japan	Great Britain	U. S. of America	France	Germany
Ri = 36 *Chō* = 2,160 *Ken* = 12,960 *Shaku*	2.44030 Miles	2.44029 Miles	3.92727 Kiloms.	3.92727 Kiloms.
Ri (Marine)	1.15152 Miles	1.15151 Miles	1.85318 Kiloms.	1.85318 Kiloms.
Square *Ri*	5.95505 Sq. Miles	5.95501 Sq. Miles	15.42347 Km. Carrés	15.42347 Quadrat Km.
Cho = 10 *Tan* = 100 *Se* = 3,000 *Bu*	2.45064 Acres	2.45062 Acres	99.17355 Ares	99.17355 Ar.
Tsubo = 10 *Gō* = 100 *Shaku*	3.95369 Sq. Yards	3.95367 Sq. Yards	3.30579 Centiares.	3.30579 Quadratm.
Koku = 10 *To* = 100 *Shō* = 1,000 *Gō* = 10,000 *Shaku*	4.96005 Bushels	47.65389 Gallons (Liq.) / 5.11902 Bushels (Dry)	1.80391 Hectolitres	1.80391 Hectolitres
Koku (Capacity of ship)	1/10 of one Ton	1/10 of one Ton	1/10 de Tonne	1/10 Tonne
Kwan = 1,000 *Momme* = 10,000 *Fun* = 100,000 *Rin*	8.26733 lbs. (Avoir.) / 10.04711 lbs. (Troy)	8.26733 lbs. (Avoir.) / 10.04711 lbs. (Troy)	3.75000 Kilogs.	3.75000 Kilogs.
Kin = 160 *Momme*	1.32277 lbs. (Avoir.) / 1.60754 lbs. (Troy)	1.32277 lbs. (Avoir.) / 1.60754 lbs. (Troy)	0.60000 Kilogs.	0.60000 Kilogs.
Yen = 100 *Sen* = 1,000 *Rin* = 10,000 *Mō*	2.0.582 s. d.	0.4984 Dollar	2.583 Francs	2.0924 Marks

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PART I

EXPENDITURES OF THE RUSSO-JAPANESE WAR

NOTE.—In the tables throughout this volume, fractions of *yen* greater than one half have been counted as a whole *yen* and the other fractions have been disregarded.

CHAPTER I

INTRODUCTION

Causes of the Russo-Japanese War

In studying the expenditures and economic effects of the Russo-Japanese War, we must first make clear the causes that led to these results. At the outset, therefore, an outline of the origin of the conflict, of its progress and consequences, should be introduced.

The Russo-Japanese War of 1904-1905 was no more and no less than a collision of influence between Russia and Japan in Manchuria and Korea. From geographical propinquity and historical relations, Japan always had a vital interest in Korea, both politically and economically; and in order to maintain and develop this interest, she felt constrained to prevent the intrusion of exclusive power on the part of any other country, and thereby to uphold the independence and territorial integrity of the peninsular Kingdom. Manchuria bordering on the northern frontiers of Korea and bearing close relations to the latter, Korea's safety also depended upon the territorial integrity of Manchuria under the Chinese sovereignty and the expulsion of exclusive influence of any other power. Russia, however, had long entertained the idea of acquiring an ice-free port in East Asia, in order to have access to the Pacific Ocean. For this purpose she improved every opportunity of extending her activity in Manchuria and Korea, so that territorial integrity for these countries became absolutely impossible at last and an armed collision of Japan and Russia no longer avoidable.

The Sino-Japanese War of 1894-1895, it must be admitted, though it added to the strength of Japan, exposed the weakness of China to the world. After the triple intervention of Russia, France and Germany succeeded in 1895 in compelling Japan to return the Liaotung peninsula to China, which had been ceded to Japan in the Shimonoseki Peace Treaty,

the floodgate of European influence was turned on East Asia, diplomacy with respect to which became extremely precarious. In this situation Russia boldly took drastic measures in Manchuria and Korea, in order to carry out her prescribed program, while Japan had merely to watch over the Russian moves and concentrate her attention on the expansion and repletion of armaments.

Japan, after expelling China's influence from Korea by the Sino-Japanese War, had pursued single-handed a policy of shielding the peninsular Kingdom from foreign aggression. In October, 1894, she had proposed that the Seoul Government reform its institutions and methods in accordance with the twenty articles of administrative plan outlined by her representative in Korea. The adoption of this suggestion by Korea had greatly strengthened the political influence of Japan there, so that not only had the Cabinet at Seoul been composed of pro-Japanese men, but every department of the administrative government had Japanese advisers and the Korean troops had been trained by Japanese officers. But this reform was somewhat too radical and the public sentiment of the Korean people soon began to drift away from Japan. This was a fine opportunity for the Russian Minister at Seoul, who had been making friends with the Korean court and secretly extending Russia's influence over the peninsula, to manipulate the anti-Japanese elements from behind the curtain and assist in their intrigues no less than three times. The political crises of July and October, 1895, fortunately ended in the suppression of hostile elements and the maintenance of the pro-Japanese Ministry, but the Japanese influence suffered a gradual decline, especially after the second commotion, in which the Queen was atrociously murdered. The last-mentioned incident made the King bitterly hate Japan, and fanned the flame of popular indignation against the Japanese. This was due to the fact that, when the pro-Japanese party entered the palace with a band of troops before their opponents' conspiracy had taken practical shape, Queen Min, considered the central figure of the anti-Japanese

movement, was ruthlessly assassinated, and that the Japanese Minister and advisers at Seoul were alleged to have been implicated in the *coup d'état*. In January of the following year the anti-Japanese party finally succeeded in carrying out their plot of overthrowing the pro-Japanese Ministry, the Russian Minister supported the *coup* by bringing up a contingent of Russian marines from Chemulpo to the Korean capital, and on February 11 both the King and the heir apparent found shelter in the Russian Legation. Thenceforward all governmental orders began to emanate from the Russian Legation, all Japanese advisers and army officers were discharged and all Japanese influence was summarily expelled from Korea. Russia thus stepped into the shoes of China and dominated the peninsular Kingdom, dismissing Japan, so that the latter's special position there, a fruit of the Sino-Japanese War, was largely impaired before one year had elapsed after securing it. In consequence, therefore, Japan had to give up the policy of protecting Korea single-handed and was obliged to maintain the residue of her interest in the country by a compromise with the northern power.

Two conventions were signed between Japan and Russia in May, 1896. By their provisions, Japan sacrificed an important part of her acquired rights in Korea, while Russia obtained so much new influence that the power of the two countries in the peninsula almost balanced. It was arranged that the two countries should render financial assistance to Korea by mutual agreement, that they should not take part in the military and police administration but leave the matter entirely with the Seoul Government, and that Russia should advise the King to return to his palace.

In defiance of these conventions, however, Russia vigorously tried to improve her fresh opportunity with a view to putting herself in Japan's former position in Korea. She prevailed upon the King, before he left the Russian Legation, to employ Russian officers, who began to train Korean troops as early as June, 1896. Subsequently, taking no notice of Japanese protests, she induced the Korean Government to

engage more officers and financial advisers as well, and endeavored to place Alexieff in the place of Brown, the British adviser to the Finance Minister and Inspector General of Maritime Customs. The pressure put upon the Seoul Government on the last-named demand finally extorted its consent, but the scheme ended in failure in December, 1897, through determined opposition of Japan and Great Britain. Owing to these excessive demands and a high-handed policy, anti-Russian feeling began to weigh more and more on the official and popular mind of Korea.

The Russian influence over Manchuria made rapid strides in the meantime. Russia, Germany and France each obtained remuneration from China for their triple intervention against Japan, and Great Britain also acquired fresh rights to counterbalance them in the Far East. But it was Russia that grasped the largest share of concessions. By the so-called Cassini Treaty of June, 1895, she secretly acquired the rights of constructing the Chinese Eastern Railway across North Manchuria, of stationing Russian garrisons on strategic points along this line, and of working mines in Manchuria. She also seems to have obtained the lease of Kiaochow Bay as winter quarters for Russian warships, the pledge of not ceding Port Arthur and Dalny to any power, and the right of the Russian use of these ports in time of war. The Russian Government ordered the Chinese Eastern Railway Company, attached to the Russo-Chinese Bank considered its official organ, to apply itself to the work of railway construction. The greatest value of the intended railway being military in nature, the first step was thus securely made for the Russian policy of marching southward through Manchuria.

When the murder of German missionaries in Shantung Province was perpetrated in November, 1897, and German warships were dispatched at once to occupy Kiaochow Bay, demands of the powers on China became more extortionate and urgent. Russia seized this opportunity to capture Port Arthur with her Vladivostok fleet in the following month, and, under the pretext of the loss of her acquired rights in

Kiaochow Bay through the German occupation of the place, demanded of the Chinese Government the lease of Port Arthur and Dalny for shielding China, as she claimed, from foreign invasion. Although not opposed to the Russian lease of these two ports, Great Britain insisted that Russia should open them for international commerce. Russia, of course, intended to use the ports exclusively for her military purposes, so she silenced the British opposition in a diplomatic way, and replied to the Japanese demand for explanation in the matter that it was only a temporary seizure until the Muscovite Government should acquire a port in Shantung. The treaty in question was signed on March 27, 1898, by which Russia obtained the rights (1) to lease Port Arthur and Dalny for 25 years, the whole of the former and one harbor of the latter to be used exclusively for military purposes, while the rest of Dalny was opened to international commerce; (2) to set up military works in these places, and (3) to construct a branch railway from a certain point on the Chinese Eastern Railway to the leased ports, and another connecting the ports with a suitable spot in the Liaotung peninsula. In possession of a long-desired ice-free port at last, Russia was enabled to make warlike preparations there, to facilitate the connection of her territory and leased outport through ownership of all the trunk lines of the trans-Manchurian Railway, and to get direct access to the Pacific Ocean through the waters in the west of Korea. This was indeed a second master stroke in the Russian policy of Manchurian occupation and East Asian domination. In the midst of these circumstances Japan merely obtained from China, besides some minor advantages, the assurance of not ceding any part of Fukien Province opposite Formosa to any power, thus offsetting the power of Russia and other European nations in the Far East. Russia furthermore undertook the loan for the Peking-Hankow Railway, upon which Great Britain tried a counter move by promising the fund for a new railway between Shanhaikuan and Shinmintun. Both countries agreed, however, that these arrangements encroached upon

each other's sphere of influence, and their direct negotiations resulted in April, 1899, in the mutual recognition of the Yangtze Valley regions as within the British sphere of influence, and of Manchuria as within that of Russia. Thus this convention gave no little facility for the Russian exploitation of Manchuria.

The Russian policy in Korea became intolerably overbearing during this time and hostile sentiments grew in proportion among the Koreans. When Russia demanded a coaling station for her navy at Port Hamilton in May, 1898, the public opinion in Korea stoutly opposed the plan and it had to be suspended. Not only that, but in order to conciliate Japan and forestall her objection to the Russian lease of Port Arthur and Dalny, the Czar's government ordered a significant compromise in Korea and made the Russian military instructors and financial advisers resign. In consequence thereof a treaty was made between Japan and Russia in April of the same year, by which the two countries promised each other that they would not interfere in the home politics of Korea and that the appointment of military instructors and financial advisers should be made on mutual agreement. In this way the Japanese and Russian influence in Korea returned to its former state of approximate equality. Japan subsequently acquired the new right of constructing the Seoul-Fusan Railway, and a Japanese concern bought the Seoul-Chemulpo line in its unfinished condition from the American capitalists.

Russia, in possession of Vladivostok in the north and Port Arthur and Dalny in the south, was still afraid of their oversea connection being intersected by Japan in the Channel of Korea. Early in 1899, therefore, she resumed her activity in Korea and tried to acquire certain rights in the south of the peninsula. In March, 1900, the Seoul Government yielded to demands for the right of establishing a coaling station and a hospital at Masampo for the Russian Navy, and for the pledge not to cede Koji Island and the mainland directly opposite to any Power. The Russian position in the Far East thus became stronger than ever before.

The outburst of the Boxer trouble in North China in May, 1900, necessitated the powers' dispatch of troops to Peking. While the world's attention was engrossed by the anti-foreign outrages, a band of Chinese soldiers on the northern frontiers of Manchuria suddenly crossed the Amur River—from what motive is still unknown—and surprised Blagovestchensk in the Russian territory. Interpreting this as an act of hostility on the part of China, Russia hurried her troops to Manchuria to forcibly seize all its important points and brought pressure to bear upon the Chinese officials to permit her to exercise military and administrative authority in their stead. And in order to seal this *de facto* seizure with legal sanctity, the Russian Government strongly urged the Peking authorities to conclude a secret treaty on the subject. According to the draft of the secret treaty, February, 1901, China was to recognize the continuance of the Russian administration, then obtaining in Manchuria, as long as Russia occupied that country, and, in regard to military matters, Chinese troops in Manchuria were put under such restrictions that they had to be withdrawn almost entirely. Russia also was to obtain the right of demanding, according to needs, the dismissal of the Governor General at Mukden, as well as local civil servants, and China promised not to employ any other nationality than Russian for the training of troops in North China. Exclusive rights of Russia were furthermore recognized with respect to the mining and other interests in Manchuria, Mongolia and Sinkiang (Chinese Turkestan). These provisions, one and all, clearly violated the principles of territorial integrity, an "open door" and equal opportunity in commerce, which the United States of America had propounded for China and to which other powers had subscribed. Therefore Great Britain, America and Japan warned the Chinese Government against signing such a treaty, on the one hand, and on the other, Great Britain and Japan filed a protest with Russia. Hard pressed by Russia, China had nothing to do but seek interference from other powers. Great Britain insisted that Russia should submit the Manchurian question to the

Peking conference of the powers' representatives, which was then considering matters related to the Boxer trouble; Russia in reply denied the existence of any secret treaty and retorted that the Manchurian question concerned only Russia and China. Great Britain in a subsequent protest exposed the contents of the secret treaty, upon which Russia produced her last card by saying that the powers might either believe in the Czar's assurances of withdrawing his troops when order was restored in Manchuria, or do what they deemed it was to their interest to do. Great Britain, however, being occupied with the Boer War at the time, found it inconvenient to deal directly with the Russian Government in the matter, so Japan took up the task of negotiating with resolute firmness. Accordingly the Japanese Government intimated to Russia that it deemed proper that such a question as the special Russo-Chinese agreement should be submitted to conference of the powers at Peking. The Russian reply to this note was that the Czar's government did not wish to discuss a Russo-Chinese agreement with a third power; but that the special arrangement in question was solely an agreement as to steps leading up to the withdrawal of Russian troops in Manchuria, so that neither China's sovereignty nor the powers' interests were affected by it; that the contents of the special agreement would be submitted to the powers as soon as it was concluded, in the belief that they would surely be satisfied with every detail; and that, if there was any dissatisfaction on the part of Japan, Russia would try a friendly compromise with her. On the other hand, Russia pressed China for the ratification of the secret treaty with the warning that it would be summarily withdrawn should the Peking Government hesitate to sign, and that the withdrawal would result in disasters for China. Early in April, the Elder Statesmen of Japan held a conference to deliberate on serious affairs of state, the government began to show extraordinary signs of activity, and the General Staff Office appeared to be preparing for warlike operations. Determined to carry through her point with Russia without the cooperation of

another power, Japan delivered another note of protest, more resolute than before, to the Czar's government on May 5. China still resolutely refused to sign the secret treaty. Whereupon Russia changed her wonted tactics and issued a notice of the withdrawal of the special agreement under date of May 3. Although the Russian demands contained in the secret treaty were thus removed for a time, the conditions in Manchuria underwent no alteration and its Russian occupation progressed as steadily as ever.

Russia after this episode continued to press the ratification of the same secret treaty on the Peking Government, while Japan, Great Britain and America as persistently cautioned China against it. In January, 1902, a treaty of alliance was concluded between Japan and Great Britain, whose interests and policies in the Far East had been in perfect accord. This exerted a not insignificant influence on the general situation in East Asia, for the Anglo-Japanese Alliance was no doubt a direct counter move against the Far Eastern policy of Russia. In consequence, therefore, Russia and France published a proclamation in March of the same year that their alliance obligations were extended to East Asia. This was of course to confront the Anglo-Japanese Alliance. However, Russia adopted a more conciliatory attitude on the formation of the last-mentioned alliance and on April 8 concluded a treaty with China for the restitution of Manchuria. According to its terms the withdrawal of the Russian troops from Manchuria was divided into three periods and was to be completed in eighteen months after date. A temporary solution was made in this way of a problem that had caused a protracted dispute among the powers.

Russia fulfilled the promise in the first period specified and removed her troops from the southern parts of Shengking (now Fengtien) Province. But at the end of the second period, i. e., April, 1903, not only did she fail to fulfil the promise, but brought forward fresh demands on China as conditions for the withdrawal of troops. Furthermore in the following month, the Russian troops in North Manchuria began to

pour down to the south and a new contingent was dispatched from home. This seemed to indicate that the Russian authorities at Petrograd had agreed by this time on a permanent occupation of Manchuria. Although the new demands were rejected through the protest of Japan, Great Britain and America, Russia skilfully maneuvered out of the opposition of the powers and expedited the progress of her Manchurian occupation. General Kuropatkin, the War Minister of Russia, whose visit to Japan about this time was rumored to have been for military inspection, stopped at Port Arthur on his way back and held an important conference of the civil and military officials stationed there. As results of this conference, the Russian forces in South Manchuria were further strengthened and new barracks were built at Port Arthur. It was also reported that Russia notified the Chinese Government of the impossibility of the withdrawal of troops and forced it to ratify the secret treaty that had long been in abeyance. In August, the Russian Government General for the Far East was established at Port Arthur, and the militarist leader, Admiral Alexieff, was appointed Viceroy, vested with full powers for administrative, military and diplomatic affairs. The warlike preparations on land and sea were thus brought to speedy completion, the Pacific fleet of Russia being largely augmented; forts were hurriedly built at Vladivostok, Port Arthur and other strategic points in South Manchuria, and the transportation of arms and ammunition became brisker day by day. In October Mukden was reoccupied, and the Chinese Governor General of Mukden was taken into custody.

Besides opening in July a direct negotiation with Russia on the Korea-Manchuria question, Japan demanded of the Chinese Government the opening of Manchuria to foreign trade as a measure for checking the exclusive occupation of the country by one power. This move resulted in the opening in October of Mukden and Taitungkou, while the United States at the same time succeeded in inducing China to open Mukden and Antunghsien.

Simultaneously with the increasing of the Russian forces

in Manchuria, the troops stationed on the Korean frontiers crossed the Yalu River and penetrated the Korean territory, nominally to protect the Russian timber concern; and in defiance of the Seoul Government's protest, the soldiers were sent in May to the seat of the concern, Yanganpo. These men began building in June as if they meant to stay in the place permanently, while a telegraphic communication was set up under the river bed of the Yalu to connect Yanganpo with Antunghsien where the Russian artillery was stationed. Realizing the futility of protests, the Korean Government acceded, in July, to the Russian demand for the lease of Yanganpo, and a contract was signed between the Seoul authorities and the timber company. This contract was later abrogated on a Japanese protest to Korea, but Russia disregarded the course of this negotiation and went on completing military works at Yanganpo, and in October it was discovered that she was constructing fortifications there. Japan, Great Britain and America repeatedly warned Korea of the danger, and demanded that Russia open Wiju and Yanganpo to foreign trade.

While Russia thus occupied the whole of Manchuria and commenced operations to possess herself of the Korean territory, Japan, who had been out-marshaled in diplomacy for nearly ten years, quietly succeeded in augmenting her armaments. A collision of Japan and Russia now became well-nigh unavoidable. Public opinion in Japan unanimously and vigorously demanded war. The Tokyo Government, which had been negotiating with Russia about Manchuria and Korea, presented a draft of the conditions that were to be the bases of a Russo-Japanese convention. Roughly speaking, the fundamental thesis of this proposition was that, in order to clearly delimit the respective interests of the two countries which then threatened to clash with each other, Korea should be recognized as within Japan's sphere of interest, and Manchuria as within Russia's. But the two powers disagreed at the outset on the basic conditions and the place of conference, Japan insisting upon discussing her proposition at Petrograd, while

Russia demanded that her counter proposition as well as Japan's draft be discussed at Tokyo. Finding it impossible to come to a speedy agreement on these points and considering it disadvantageous to waste time in the midst of steady expansion of Russian armaments in Manchuria, Japan yielded to the Russian position in every respect and requested that the counter proposition be submitted at once. It was after considerable delay that Russia's counter proposition was presented on October 3. It differed from Japan's proposition in basic principle and excluded Manchuria from the province of the intended negotiations. Making Korea the only topic of discussion, moreover, it was provided that neither power should use any part of the Korean territory for military purposes; that no military works calculated to menace the free navigation of the Channel of Korea should be constructed on the Korean coast, and that nearly one third of the Korean territory north of 390 of north latitude should be made a neutral zone. Whether or not there was room for Japan to consider such a counter proposition, we need hardly say. Foreign Minister Komura adopted the two propositions as bases of negotiations and had the first interview, on October 6, with Minister Rosen, representing Russia at Tokyo. This and subsequent interviews did not result in any compromise of divergent views; therefore, on October 30, Japan presented an amended draft and sought Russia's reconsideration. In this amendment, the fundamental principle embodied in the original proposition was still maintained, but it compromised in various respects and recognized, among other things, the Russian contention of prohibiting the construction of military works on the Korean coast, while insisting upon the creation of a neutral zone on both the Korean and Manchurian frontiers. Russia's reply to this was again considerably delayed and at last, on December 11, a second counter-proposition was submitted to the Japanese Government, merely compromising as to the circumstances under which Japan might despatch her troops to Korea; and maintaining the original Russian position in almost all other re-

spects. In the meantime, Japan had put forward a second amendment, on November 21, claiming that she could not agree to excluding Manchuria from the province of discussion, insisting that the clause prohibiting the military use of the Korean territory be struck out, and stating that if Russia failed to concur with the Japanese amendment on the point the clause referring to the neutral zone should be omitted altogether.

While trying to retard the progress of diplomatic negotiation, Russia pressed on with her military preparations in the Far East. Japan therefore issued on December 28 an urgency ordinance on the disbursement of extraordinary military expenses, an ordinance regarding the speedy construction of the Seoul-Fusan Railway, and other ordinances necessary for the conduct of a prospective war. The purchase of two warships on December 30, was a further step in Japan's preparedness for emergency. The popular sentiment of the Japanese also attained a white heat by this time and indicated a determination to fight as one man in this national calamity.

The Russian reply to Japan's second amendment came on January 6, 1904. Though appearing to have compromised on various points, it still held to the former position of Russia in the main, namely, that should Japan agree to the prohibition of the military use of Korean territory and to the Russian insistence upon the creation of a neutral zone, Russia would guarantee the rights that Japan and other powers possess in Manchuria by virtue of the existing treaties. Needless to say whether Japan could or could not consent to such a condition as this. Yet on January 17 she proposed the last compromise and called for Russia's reconsideration. The proposition insisted upon the omission of the clauses regarding the limitation of territorial use and the creation of a neutral zone. It also amended the Russian proposal about Manchuria. Russia, however, neither replied nor appointed a date of reply. Thereupon Japan took a decisive stand and on February 6 instructed her representative at Petrograd to notify the Russian Government of the severance of diplomatic relations. War was declared on February 10.

Progress of the Russo-Japanese War

Japan and Russia were now pitted against each other. The main force of the Pacific fleet of Russia was concentrated in Port Arthur, only four ships remaining in Vladivostok. The Japanese fleet gathering at Sasebo started for Port Arthur, early in the morning of February 6, under the command of Admiral Togo. On the way, a detachment of the Japanese navy, under Rear Admiral Uryu, entered Chemulpo on the afternoon of February 8, escorting a number of our military transports. After a slight engagement with the two Russian warships lying in the harbor, the landing of troops was finished. At noon on the following day an engagement was opened outside the port, and after a fight lasting thirty minutes the Russian vessels were so badly injured that they retreated into the port and later were blown up by their own crews. Two battalions of Japanese troops, landing at Chemulpo, entered Seoul on February 9 and garrisoned the town.

The Japanese fleet sent against Port Arthur steamed on, reconnoitering *en route*, its destroyer squadron delivering an attack upon the Russians on the night of February 8. Pressing on to Port Arthur, our destroyer squadron sank two Russian battleships and one cruiser. On the following day the Japanese fleet made a general attack upon the Russian squadron at Port Arthur. The enemy vessels, assisted by the land batteries, poured shells upon our fleet, which prosecuted the attack with utmost vigor and put out of action four of the enemy ships. The Russians retreated into the harbor one after the other. Several days later, on February 14, our destroyer squadron tried a night attack on the enemy squadron off Port Arthur for a second time, in spite of the heavy seas, and skilfully resisting the onslaught of the enemy, succeeded in inflicting great injury upon the Russian flagship.

In these several engagements the Russian squadron had sustained heavy damage and lay concealed in the harbor, declining to come out to fight. Taking advantage of this opportunity, the Japanese fleet decided to shut up the enemy

in Port Arthur and set about carrying out the program on the night of February 23. In this attempt, five special steamers provided with devices for blowing them up and manned by brave and picked crews proceeded, under heavy enemy fire, right to the entrance of the harbor and sank themselves on reaching their allotted positions. By this enterprise the blockade of part of the entrance to Port Arthur was completed. On February 25, five of the Russian ships were sighted maneuvering outside Port Arthur and our fleet made an attack upon them. One of the enemy ships was sunk and the rest went back into the harbor. The next day, the Japanese fleet dispatched four warships and took possession of Haiyang Island, which occupies an important position in the Yellow Sea.

Meanwhile, the Russian squadron at Vladivostok tried to relieve the pressure of the Japanese Navy upon Port Arthur by attracting our fleet northward, and for this purpose the Russian ships made several excursions into the Sea of Japan, attacking our merchantmen. The steamship service on the Sea of Japan was, consequently, interrupted for a time. But when the Russian squadron at Port Arthur lay concealed in the harbor and the Japanese naval force had only to watch them, seven of our ships were set apart to form the second squadron, which was detailed to keep watch over Vladivostok waters. This second squadron, under the command of Vice Admiral Kakimura, made on March 6 and 7 a reconnoitering cruise along the coast of Vladivostok. The squadron bombarded the port, but, as the enemy made no reply, it returned to its temporary anchorage.

The Russian ships that had sustained heavy damage were undergoing repairs in Port Arthur. On March 10 the Japanese fleet sent a squadron of destroyers to reconnoiter the enemy and to lay mines at important points. Our destroyers met a squadron of eight enemy destroyers coming out of the harbor, and sank one and inflicted heavy injury upon the others. During this engagement, our main force opened fire upon the Russians to cover our destroyer squadron, break-

ing up several of the enemy batteries. On March 27, a second program was carried out to block the entrance of Port Arthur. At three o'clock, A.M., of the same day, four steamers were driven into the channel in the face of enemy fire and were sunk in their designated positions. While rescuing the crews of these steamers, our torpedo flotilla encountered and sank a Russian destroyer. On April 12, the Japanese fleet again made an attack on Port Arthur. The destroyer squadron advanced first and laid mines at points of importance. Then the fleet pressed forward to positions directly under the Russian batteries, and, after cannonading them and inflicting heavy damage upon the enemy, returned without sustaining any injury. Early in the morning of the following day, after a Russian destroyer was sunk, the enemy squadron consisting of seven ships came out to fight. The main force of the Japanese fleet proceeded to encounter them, steaming in regular lines. The Russians saw the attacking force and were making for the harbor when their flagship struck a mine laid by the Japanese and sank in a few minutes, carrying the Russian admiral, Makaroff, together with many sailors, to the bottom. Another battleship of the enemy struck a mine and was disabled. The rest retreated into the port. On April 15, our Navy repeated an attack on Port Arthur and greatly damaged the enemy forts, silencing part of the batteries.

However, with the break-up of ice, the Russian squadron at Vladivostok made frequent excursions into the Sea of Japan and watched our operations. The second squadron steamed northward on April 23 to search for the enemy; but a dense fog hampering its movement, the squadron returned to Wonsan on April 26. On the previous day the Russians had sunk one Japanese military transport and two merchant vessels. The second fleet again started on a cruise to search for the enemy and approaching Vladivostok on April 30 bombarded its batteries.

Although the Japanese Navy had twice repeated its blockading operations at Port Arthur, the main force of the enemy could still make an egress. When the Japanese saw this,

they determined to complete the blockade and made a third attempt on a larger scale under cover of the night, on May 3. Because a strong wind was blowing and heavy seas running, the steamers experienced no small difficulty in their operations. Four of the steamers abandoned their enterprise and two of them failed to attain their object; but all the other seven succeeded in reaching their allotted points in the channel and blew themselves up. The blockade of the harbor was now accomplished and the passage of cruisers and any larger vessels was rendered impossible. During this blockading operation our fleet, together with the destroyer squadron and torpedo flotillas, covered the steamers; but owing to the very bad weather, the list of casualties proved very heavy, not a single person of the crews of three steamers being saved. On May 12, while our torpedo flotillas were engaged in sweeping the mines off Port Arthur, under the protection of cruisers, two torpedo boats sank by striking mines laid by the enemy. On the 15th of the same month, the Japanese cruisers *Yoshino* and *Kasuga* collided in a very dense fog, and the former vessel was sent to the bottom. Moreover, on the same day, our battleships *Hatsuse* and *Yashima* struck mines laid by the enemy and sank immediately. These losses were the heaviest sustained by the Japanese Navy during the Russo-Japanese War. In spite of the complete blockade of Port Arthur for the passage of large vessels, gunboats and destroyers made an egress from time to time, so the Japanese destroyer squadron and torpedo flotillas began on May 25 a reconnoissance in force and laid mines at important points, finishing the operations on June 13. Thereupon, the Japanese Navy obtained absolute command of the sea, from the Yellow Sea to the Sea of Japan.

To turn to the operations of the Japanese Army: Beginning with the entry of Pyongyang by the advance contingent on February 24, the First Army under Lieutenant General Kuroki, with constant reinforcements, marched gradually up the Korean peninsula, clearing the Russians on the way. It took possession of Wiju on April 4, without any fighting. The

army advanced still farther to the Yalu and faced the Russians across the river. With the perfection of preparations, it started its movement on April 25. It crossed the Yalu on the night of April 30, after an artillery engagement of several days, and upon the completion of pontoon bridges thrown across the river. The First Army, now on the other side of the river, immediately fell upon Kiuliencheng on May 1. The Japanese placed their artillery on a twelve-mile front. When a part of the enemy's artillery was silenced after the exchange of fire lasting some two hours, our army made a general advance and occupied Kiuliencheng and its neighborhood. Pursuing the enemy it then captured Mohatang and obtained possession of Feng-hwang-cheng and Kuantiencheng. Driving out the Russians on the way, the Japanese continued their advance northward in the direction of Liaoyang.

In the Liaotung peninsula, the Second Army, under Lieutenant General Oku, landed at Pitszewo on May 5. It immediately took Plantien, and then prepared to attack Kinchowcheng and Nan-shan, reaching a point some 800 meters from the Kinchow wall at one o'clock A.M. on May 26. The sappers were first dispatched to destroy the gate and wire entanglements. Then the whole army took the first opportunity to assault the enemy's position. Kinchowcheng fell into our hands before dawn of the same day. The victorious army immediately pressed upon the strong forts of Nan-shan. The Russians, who were solidly entrenched in this position of natural advantage, offered strong resistance. The attacking army, with the assistance of a naval detachment sent to Kinchow Bay, put up a vigorous fight and made an assault upon a flank of the enemy, but to no effect. But when the Japanese right wing, assisted by the naval guns, made a severe attack upon the enemy's left flank, his powder magazine exploded and the batteries on his left wing became silent. At dusk of the same day, May 26, our whole body of troops rushed against the enemy forts and obtained possession of them at 7 P.M. The battle continued full sixteen hours, and the Japanese casualties totaled 2,200, including officers. A detach-

ment of our force pursued the Russians and secured the control of the shores of Tailien Bay on the following day, May 27. The Second Army, leaving a force to defend Nanshan, turned around and advanced toward Liaoyang in the north. On June 15 this Second Army approached Telissu. Opening cannonade in the morning and with the assistance of a naval detachment, it fought desperately and carried the Russian position. In this battle the losses by death or injury on our side were 900 and those on the Russian side were no less than 10,000.

On June 21 the Second Army cleared the enemy at Hsiungyocheng and also captured Funshuiling. This army continued its march to the north and drove away the enemy near Kaipinghsien, closing on July 24 upon the Russian troops on the heights in the vicinity of Tashihchiao. The Russians fell back upon the forts erected on the heights, which commanded the position of the Japanese Army. The attack was, therefore, extremely difficult. During the night the infantry of our right flank carried by assault one or two of the enemy forts. The next morning our army opened artillery fire and succeeded in capturing the whole Russian position on the heights by a well-timed general assault, and a Japanese detachment was sent to occupy Yingkow.

At this time the Fourth Army, under the command of Lieutenant General Nozu, was already at Siuyen. Marching northward, this army reduced Shimucheng on August 1, but the enemy retreated to Haicheng. Accordingly, the Second and Fourth Armies advanced upon Haicheng and captured it. Previous to this the First Army, coming from the direction of Feng-hwang-cheng, was marching upon Motienling. While reducing the various forts *en route*, it finally captured Motienling, a post of natural advantage held by the enemy, on July 1. But on July 17, the Russian troops attempted a counter attack in large force, which the Japanese succeeded in repulsing. The Russians retreated to the Hsie-ho and prepared against our army, taking their position on the river. The Japanese Army attacked the Russians on July 18, but failed to take

the position because of strong resistance. On the following day the attack was renewed and towards evening the position was finally carried. After this fight, it seemed that the enemy was being steadily reinforced. Therefore, the First Army made a general advance on July 30, to forestall the enemy before his strength was full. The enemy fought well and the attack produced little effect. But finally, on August 1, the Japanese Army succeeded in defeating the enemy and secured the possession of Yangtzuling and vicinity. Here the three Japanese Army corps were able to advance in unison and reach a position some distance from Liaoyang on August 24.

There were large corps of the Russian Army at Liaoyang. On a stretch of high ground in front were constructed the defense works of the enemy. Here was fought a great battle. The Second Army, which formed our left flank, advanced west of the Liaoyang road; the Fourth Army, which formed the center, proceeded east of the road while the First Army which constituted our right flank marched from the east side, threatening to turn the enemy's flank. In this disposition, the Japanese armies attacked the enemy without interruption, captured several forts, and came into perfect touch with each other on August 29. Our right wing took possession of the heights north of Hsuchiakau on August 30, but had to abandon it, being unable to resist the counter-attack of the enemy. But, since this would interfere with the advance of the armies as a whole, the right wing made a desperate effort, recovered the heights on August 31 and insured occupation of Penchihu. On September 1, the Russians were observed to be gradually retreating to Liaoyang, so our center and left wing pursued the enemy, cannonaded and destroyed the Liaoyang station where Russian troops were assembled, causing a fire in the warehouses near-by. The next day our right wing threatened to cut off the retreat of the enemy. Upon this, the Russians set fire to their own stores and retreated to the lines on the Shaho. In this battle, the casualties on the Japanese side were 17,500, while the Russian losses were estimated at 25,000.

The Japanese armies that had occupied Liaoyang started their operations against the Russians who had retreated and taken up their position on the Shaho. But on October 10 a large body of the enemy came to attack our right wing, which was forced to abandon the high ground east of Penchihu. Our troops recovered the position the next morning, however, and making a further advance reached the enemy lines on the Shaho on October 14. The center and left wing of the Japanese forces crushed the stubborn resistance of the enemy and captured his positions in various places. With the reduction of Shahopao by the Japanese left wing on October 15, the battle of Shaho which continued a week ended in a splendid victory for the Japanese. Our armies sustained in this battle a loss of 15,800, killed and wounded, while the Russian casualties reached 67,000.

In the land operations against Port Arthur, the Third Army, under Lieutenant General Nogi, which had entered Kinchowcheng as the investing force of Port Arthur, started its movement on June 26. After severe and prolonged fighting the Japanese wrested several of the enemy's positions, taking possession on July 30 of a line extending from the heights south of Tuchengtzu to the heights east of Takushan. They now came within a few miles of the town of Port Arthur and were in position to commence siege activity, so that the Russians escaped and retired from the fortifications of Port Arthur. Our army continued to attack the enemy, capturing Takushan and Hsiaokushan on August 7 and 8. The Russian squadron lying in the harbor of Port Arthur found the artillery fire of the Japanese Army daily increasing in violence. To be relieved from this intolerable situation, it put to sea under cover of a dense fog on August 10. The Japanese fleet encountered the enemy and inflicted heavy damage upon his flagship and two other battleships, when two of the Russian cruisers and several destroyers made their escape southward, while all the rest went back into the harbor. General Stössel, commander of the Russian garrison, refusing to accept the permission for escape of noncombatants in the enemy

zone and the advice to surrender sent by our besieging army, a general attack was opened on August 19. The enemy was provided with all possible means of defense and the besiegers had to fight for every inch of ground. They at last succeeded in securing the east and west batteries of Panlungshan. Meanwhile fire had started in the town of Port Arthur from the bombardment by the Japanese Navy. The fortress of Port Arthur, constructed in positions of natural advantage and with the highest art of modern engineering, had been reputed impregnable and the Japanese force failed to make such progress as was contemplated. Accordingly, our army changed its method of attack and took to digging zigzag lines for troops to march through. On the completion of these engineering works, a second general attack was opened on September 19. Our army fought throughout the night and wrested from the enemy the Kropatkin fort, a part of the battery south of Shuishihying and the 174-Metre Hill, in succession. The Japanese made assaults on the 203-Metre Hill from three sides and kept up the struggle for three consecutive days and nights, only to fail in their attempt. But our investing force never relaxed its pressure upon the Russians and repulsed their frequent sorties, taking on October 16 the forts on the sides of Hachimakiyama (Japanese name) and Erhlungshan. Meanwhile our army, in cooperation with the navy, fired on the Russian ships lying in the port. On October 26, the Japanese force tried a third general attack and made a violent onslaught upon the enemy, with the support of the naval guns, capturing Sungshushan and Erhlungshan. On the 29th, our troops recovered the trenches south of Hachimakiyama, which had been retaken by the enemy, and on the following day took a fresh battery. On November 29 the Japanese Army reopened its assaults on the 203-Metre Hill, the heart of Port Arthur. Our forlorn hope rendered repeated rushes useless until the next day, when the assaults finally took effect and the hill fell completely into our hands at eight o'clock in the evening. The enemy made a violent counter-attack, however, and the Japanese fought desperately

to defend their position, succeeding at last in consolidating their possession of the hill on December 2. With the 203-Metre Hill in our possession, the Japanese artillery, with the cooperation of the navy, cannonaded from that commanding height the remaining Russian ships in the harbor. This continued from the 3d to the 9th of December. The effective shots numbered as many as 248, which annihilated the enemy ships. After this, our investing army took the rest of the forts one by one, but the fate of Port Arthur had already been sealed with the fall of the 203-Metre Hill. Finally the enemy lost the power of resistance and surrendered to the Japanese Army on January 1, 1905. The siege of Port Arthur, which involved the most terrible fighting ever witnessed for half a year, thus came to an end. The number of Russians surrendered was over 32,000 prisoners and 16,000 wounded. The Japanese Army made formal entry into the town on January 13.

In the field campaign against Mukden our three army corps had spent 120 days in winter quarters on the Shaho. During this time preparations for the fight were completed. The Third Army that had arrived from Port Arthur reinforced the extreme left, while the Yalu River Army, under the command of Lieutenant General Kawamura, was added to the extreme right. The Japanese forces were commanded by General Oyama. The enemy had put up defenses on a vast stretch of ground on the left bank of the Hun-ho, which runs south of Mukden. General Kropatkin was in chief command. The Japanese armies were set in motion during the last ten days of February, and there resulted the great conflict known as the battle of Mukden. Previously to this the enemy had come pressing upon our extreme left in large force. The Japanese engaged these Russians on January 25. After continual fighting they took Heikautai on January 29, and pursuing the enemy drove him to the right bank of the Hun-ho.

Meanwhile, the battle of Mukden was developing. On March 1, the Japanese armies started extensive operations on a 125-mile front. Our extreme right advanced toward

Fushun from the east and swept round the enemy's flank; our extreme left turned eastward to outflank the enemy and threaten his rear after crossing the Hun-ho and taking Shinmintun in the northwest; while our center and right flank advanced east of the railway and our left flank west of the railway, to hold the Russian center. In the progress of the battle each of the Japanese armies took the enemy's positions one by one. On March 5 our forces were hotly engaged along the whole front, making violent attacks upon the enemy. On March 7 the Russians began to retreat and the attacks of our armies increased in violence. On the 8th, the Japanese left flank approached Mukden in pursuit of the enemy, while our corps on the extreme left pressed on the rear of the Russians, capturing the railway north of Mukden. On the 9th, our extreme right took possession of Fushun. On the 10th, our center and part of the left flank fell directly upon Mukden and occupied it. Thus the great battle of Mukden ended in complete victory for the Japanese. The Russian losses in this battle were about 137,700 killed and wounded, while over 20,700 were taken prisoners.

The Japanese armies went in pursuit of the retreating Russians. The enemy had defense works constructed on the way which well covered the retreat of his troops. Our forces took Yingpan on the 11th of March, Hsingking on the 13th, Tiehling on the 16th, Fakumen on the 18th and Kaiyuan on the 19th. Then the Japanese armies kept up their advance northward, pursuing the enemy by the four routes of the Kaiyuan-Kilin, Fukumen-Changtu, Fushun-Hailung, and Hsingking-Tinghua roads.

To return to the operations of our navy: Though, after the annihilation of the Russian squadron at Port Arthur, the absolute command of the sea in Far Eastern waters fell into our hands, the enemy squadron at Vladivostok had made frequent sorties into the Sea of Japan. In the excursion in June, 1904, it had sunk three Japanese military transports, including the *Hitachi Maru*, in the Straits of Tsushima, and had also injured our merchant vessels in the northern part

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of the Sea of Japan. But on August 14, when three Russian vessels again appeared in the Straits of Tsushima, they met with an attack by our second squadron, which was then off Ulsan. Fire started on all of the Russian ships, one of which went to the bottom. After the complete destruction of the Port Arthur squadron, our navy tightened its hold on Vladivostok, keeping watch over the smuggling ships and cutting off the supply by sea of munitions and provisions to the enemy.

Seeing that the Pacific fleet was fast declining, Russia dispatched a second Pacific squadron in October, 1904, and a third Pacific squadron in February, 1905. On May 12, these squadrons all assembled on the sea of Annam. Entering the China Sea, the whole fleet of more than forty vessels steamed northward. The Japanese fleet, finishing its preparations, was awaiting the enemy in the Straits of Tsushima. At 5 A.M., on May 27, the Japanese scouts sighted the Russian fleet steering for the east channel. At 2 P.M., the Russian ships reached the vicinity of Okinoshima, moving in double columns, while our battleships and armored cruisers, steaming in a single column, pressed the head of the Russians from the west, delivering a severe attack upon the enemy. Violent fires soon breaking out on the flagship and two other battleships of the enemy, the Russian fleet, in disorder, attempted escape. The Japanese main force never ceased to press the enemy to the south. Meanwhile, our cruiser squadron and three other flotillas attacked from the south, the ships forming the enemy's rear dispersing them with heavy damage. Our fleet pursued the scattered enemy until sunset. During the day, the Russian flagship *Swaroff* and three other battleships and one special service vessel were sunk. In the night, our destroyers and torpedo boats attacked the enemy in spite of heavy seas. So far as the results could be told, these Japanese ships deprived at least one battleship and two armored cruisers of fighting and steaming power and sank one battleship. The Japanese losses were only three torpedo boats. With the dawn of May 28, the Japanese squadrons searched for and

pursued the enemy and harvested the fruits of the victory of the previous day. They captured two battleships and three other ships and sank two cruisers and several other ships. One battleship and two cruisers which were disabled the day before were also sunk. The Russian commander-in-chief, who had been transferred to one of his destroyers, was made our prisoner during the second day of the sea fight. Thus, out of the thirty-eight Russian warships which participated in the engagement, only a few each of cruisers, destroyers and other classes of ships escaped sinking or seizure. One cruiser and one destroyer only escaped to Vladivostok. The Japanese Navy lost no other ships except the three torpedo boats already mentioned. The world looked upon this miraculous victory of ours with astonished eyes.

The issue of the Russo-Japanese War was practically decided by the battle of Mukden on land and by the battle of Tsushima on sea. The military and naval forces of Japan, however, opened activities against Russian possessions from this time. Our army in north Korea, under cover of the navy, marched in June to invade the Russian territory across the Tumen River. Our troops dispatched to Karafuto (Saghalien) obtained possession of the whole island in July, while our navy was also operating upon the coast of the littoral provinces of Russia. Immediately after the battle of Tsushima, however, President Roosevelt of the United States of America tendered his good offices to restore peace between Japan and Russia. Both belligerents intimated acceptance of the offer, and appointed plenipotentiaries who met to negotiate peace at Portsmouth, New Hampshire, August 9, 1905. On September 1, the plenipotentiaries of the two powers signed a treaty of truce, and on September 5 a treaty of peace.

In conclusion, we add a brief remark about the strength of the Japanese forces employed in this war. The accurate figures are, of course, inaccessible. But according to our investigations, the whole land forces put in service in the Russo-Japanese War comprised 17 divisions of active service troops and first reservists, 2 divisions of second reservists, 4

brigades of second infantry reservists, 7 mixed brigades of second reservists, and a number of second reservists and militia. Classified by the fields of operation, the North Korea Army consisted of 1 division and 1 brigade, the Karafuto Army, 1 division, while practically all the rest went to form the Manchuria armies. The approximate strength of our Manchuria armies was: 250 infantry battalions, 20 cavalry regiments, 200 artillery batteries (some 1,000 guns), 6 engineer companies, and machine-gun corps and commissariat troops. The forces that took part in the war total 1,088,996 persons, of whom 999,868 went to the front. The losses from this war were not so large as is generally supposed. The following are the details:

Losses of Russo-Japanese War

Causes	Officers	Noncommissioned officers and privates	Civilians in army and navy	Total
Killed in battle	1,926	58,105	52	60,083
Died from disease	278	21,197	404	21,879
Dismissed from service	71	29,367	...	29,438
Total	2,275	108,669	456	111,400

It will be seen from this table that 60,000 were killed and 22,000 died from disease, totaling 82,000. Even including over 29,000 dismissed from service on account of ill health and other disabilities, the total figure does not much exceed 111,000. It may be here added that the horses lost in the war totaled 38,000, including those invalided.

The Japanese naval forces put in service during this war were 72 warships of various classes totaling 261,629 tons. In addition, there were 50 torpedo boats representing 5,429 tons. The losses from the war were twelve warships of various classes totaling 45,352 tons, and 7 torpedo boats representing 558 tons. Most of these losses, however, were due to collision or to striking mines, and not to fighting itself. The following table shows our naval forces employed and lost during the war:

NAVAL FORCES EMPLOYED AND LOST

Classes	Employed		Lost	
	No. of ships	Tonnage	No. of ships	Tonnage
Battleships	6	85,043	2	27,320
Armored coast defense ships	2	11,447	..	....
Armored cruisers	8	72,915	..	....
Cruisers	17	61,961	2	8,320
Dispatch boats	4	5,487	1	1,772
Depot ships for torpedo boats	1	4,120	..	....
Gunboats	9	7,870	3	3,404
Coast defense ships	3	5,576	2	3,798
Destroyers	22	7,210	2	738
Total	72	261,629	12	45,352
Torpedo boats	50	5,429	7	558

The navy lost 2,657 persons, of whom 2,010 were killed in battle and 647 died from disease.

RESULTS OF THE RUSSO-JAPANESE WAR

It was the Russo-Japanese treaty of peace signed on September 5, 1905, and the Sino-Japanese treaty signed on December 23, 1905, in connection with this treaty of peace that confirmed the altered situation in the Far East in consequence of the war between Japan and Russia. A survey of the Far Eastern relations thus established shows that the material and moral interests secured by Japan were not at all inconsiderable. It came to be recognized that Japan had paramount political, military and economic interests in Korea and that she had the right to take the necessary measures for guidance, protection and control in Korea. Recognition of this fact and right had already been made by Great Britain in the new Anglo-Japanese Alliance Treaty, prior to the conclusion of peace between Japan and Russia.

The Russian influence thus absolutely expelled from Korea, the country came under the protection of Japan. In Manchuria, Japan received the transfer from Russia of the lease of Port Arthur and Tailien, together with the Russian rail-

ways south of Changchun (Kuan-cheng-tzu) and all collateral coal mining privileges. She obtained from China a fresh concession for working the Antung-Mukden line. Japan and Russia, under certain restrictions, withdrew their military forces from Manchuria and restored the territory to China's sovereign rights. In this manner, the spheres of Japanese and Russian interests were marked out in Manchuria; that is to say, Japan acquired fresh interests in south Manchuria and Russia retained her former interests in north Manchuria. And besides these interests in Manchuria and Korea, Japan acquired by her victory in the war the southern half of Karafuto and the fishery rights for her subjects along the Russian coasts between the Sea of Japan and Bering Strait. The circumstances of the time did not allow Japan to obtain any other rights or indemnity.

Needless to say, the relations between Japan and Korea underwent a marked change in consequence of the war with Russia. At the beginning of the war, after Japan had forced the Russian Minister in Seoul to leave Korea, the initial steps for the establishment of Japan's protectorate over Korea were taken with the protocol signed February 23. Japan's right of protection was extended by the Japanese-Korean Agreement, August 22, by which Korea was compelled to engage financial and diplomatic advisers from Japan and required to consult with her previously in regard to important diplomatic matters. When her special position in Korea came to be recognized by Great Britain and Russia, Japan concluded with Korea, November 17, 1905, a new agreement consisting of five articles which provided: (1) that the diplomatic rights of that country be transferred to Japan; (2) that the Japanese minister to Korea be substituted by a Resident General representing in Seoul the Imperial Government of Japan, and that subordinate residents be substituted for consuls at the open ports and other important places, to discharge official duties under the Resident General. It was this agreement that supplemented and completed the protocol and the agreement previously signed, and consolidated and defined Japan's position in

Korea. Hereupon the foreign affairs of Korea fell into the hands of Japan, and there was no longer any necessity for the powers to retain their representatives in Korea. The ministers withdrew from Seoul, headed by the British Minister who left on November 30. The diplomatic business concerning Korea thus came to be conducted through the ministers in Tokyo. And the Residency General and subordinate residencies opened official business on February 1 of the following year, 1906.

The material results acquired by Japan from the war with Russia have been described in the foregoing paragraphs. Her moral acquisitions were by no means small. The international prestige of Japan in the Far East enormously increased after the war. It came to be recognized that Japan had the strength to prevent any other power from interfering in affairs of the Far East without her consent. Japan's position as a first-class power was thus established.

CHAPTER II

COST OF THE RUSSO-JAPANESE WAR

The War Estimates

When a rupture seemed imminent in the relations between Japan and Russia, the government framed the estimates for extraordinary expenses in October, 1903, and later as the situation developed it thrice compiled, besides the regular estimates for the war, extraordinary war estimates. These estimates were to be defrayed as an urgent financial measure or in the shape of a temporary expenditure, outside the regular budget, to meet the expenditures directly related to the war (called the extraordinary military expenses), and those (called extraordinary affairs expenses) required by various branches of the Administration. Finding it impossible to resort to increase of taxes for raising these necessary sums, because such taxation could not under the circumstances supply the state with a large amount of revenue, and because the people had already been burdened by repeated increases of taxes for military expansion, the government adopted the course of covering the main portion of war expenses by public loans. The increase of old taxes or the imposition of new ones, or the revenue from the government's new undertakings were to be resorted to as a secondary means, and its surplus and other funds were to be the resource.

In October, 1903, the government decided on the defrayal of the extraordinary affairs expenses amounting to 1,420,000 *yen*, the source of revenue being the second reserve fund and the Treasury surplus. When the relations between Japan and Russia were on the verge of rupture in December of the same year, the government decided on the disbursement of 155,970,000 *yen* for military preparations, and of 250,000 *yen* for extraordinary affairs expenses as an urgent financial measure, with the special accounts fund and Treasury bonds as the

source of revenue. The estimates for these war expenditures may be tabulated as follows:

ESTIMATES OF WAR EXPENDITURES, DECEMBER, 1903

Expenditures	Amount		Source of Revenue	Amount	
	Yen	*Yen*		*Yen*	*Yen*
Extraordinary military expenses (emergency measure)		155,971,036	Special account fund Treasury bonds	25,000,000 130,971,036	155,971,036
Extraordinary affairs expenses					
Temporary defrayal.	1,422,585		Second reserve fund	370,500	
			Treasury surplus	1,052,085	
Emergency measure.	257,894		Special account fund	257,894	
		1,680,479			1,680,479
Total		157,651,515	Total		157,651,515

As stated above, the estimates for war expenses before the war broke out were 157,650,000 *yen*, of which 155,970,000 *yen* represented extraordinary military expenses and 1,680,000 *yen*, extraordinary affairs expenses.

The diplomatic relations between Japan and Russia were severed in February, 1904, when Japan declared war upon Russia. The 20th session of the Imperial Diet in March of the same year passed the first estimates of war expenses. The estimates consisted of the extraordinary military affairs expenses amounting to 380,000,000 *yen*, and the extraordinary affairs expenses amounting to 40,000,000 *yen*, a total of 420,000,000 *yen*, the sources of revenue being the special accounts fund, the increase of taxes, national loans and the Treasury. The above statement may be tabulated as follows:

ESTIMATES OF WAR EXPENDITURES, MARCH, 1904

Expenditures	Amount	Source of Revenue	Amount	
	Yen		*Yen*	*Yen*
Extraordinary military expenses	380,000,000	Special accounts fund Increase of taxes, etc. National loans	30,000,000 60,201,879 280,000,000	
Extraordinary affairs expenses	40,000,000	Treasury surplus	9,798,121	
				380,000,000
		Treasury surplus		40,000,000
Total	420,000,000	Total		420,000,000

The war situation had largely developed by November, 1904, the Japanese forces having gained repeated victory over

the enemy; but the stronghold of Port Arthur had not yet fallen, the enemy squadron in the bay of Port Arthur had not yet been shattered, and our army in the north of Manchuria was quartered for the winter in Shaho, in preparation for a decisive battle at Mukden, while the second Russian Pacific squadron had already started for the Far East. Under these conditions, no one could predict what would be the final outcome of the war. The second war estimates, therefore, consisting of 700,000,000 *yen* for extraordinary military expenses, and 80,000,000 *yen* for extraordinary affairs expenses, totaling 780,000,000 *yen*, were passed in the 21st session of the Diet. The sources of revenue to meet these requirements included the special accounts fund, the income from increased taxes etc., national loans, the Treasury surplus, a small sum of war-fund contributions and miscellaneous incomes. The deficits in the estimates of the extraordinary affairs expenses were filled up in December of the next year by the extraordinary defrayal of 28,820,000 *yen* from the special accounts fund and the yearly account surplus, and by the supplementary estimates amounting to 7,200,000 *yen* which were to be defrayed from the surplus fund. Deficits in the estimates of the extraordinary military expenses were covered by the extraordinary defrayal of 60,000,000 *yen* with the revenue of public loans. These details can be tabulated as follows:

SECOND ESTIMATES OF WAR EXPENDITURES, DECEMBER, 1904

Expenditures	Amount		Source of Revenue	Amount	
	Yen	*Yen*		*Yen*	*Yen*
Extraordinary military expenses (second estimates)	700,000,000		Special accounts fund	8,000,000	
			Increase of taxes, etc.	119,000,000	
			National loans	571,000,000	
			Public contributions to war funds	1,500,000	
			Miscellaneous incomes	500,000	
Extraordinary defrayal	60,000,000		Public loans	60,000,000	
		760,000,000			760,000,000
Extraordinary affairs expenses (second estimates)	80,000,000		Treasury surplus	48,328,977	
Extraordinary defrayal	28,825,409		Increase of taxes, etc.	31,671,023	
Supplementary estimates	7,200,000		Treasury surplus	24,825,409	
			Special accounts fund	4,000,000	
			Treasury surplus	7,200,000	
		116,025,409			116,025,409
Total		876,025,409	Total		876,025,409

Thus the second estimates, including extraordinary defrayal, amounted to 760,000,000 *yen* for extraordinary military expenses and 116,025,409 *yen* for extraordinary affairs expenses, making a grand total of 876,025,409 *yen*.

The peace treaty was concluded between Japan and Russia in September, 1905, and war was brought to an end. But more expenses were required for the withdrawal of expeditionary forces, the grant of rewards for services in the war, and other objects. As the previous estimates had already shown deficits, the government introduced the third war estimates to the 22nd session of the Imperial Diet, in December, 1905. The third estimates passed consisted of the extraordinary military expenses amounting to 450,450,000 *yen*, and the extraordinary affairs expenses amounting to 79,500,000 *yen*, the sources of revenue being public loans and Treasury surplus. For deficits in the extraordinary affairs expenses the supplementary estimates to the amount of 2,500,000 *yen* were drawn up the next year. The details are as follows:

THIRD ESTIMATES OF WAR EXPENDITURES, DECEMBER, 1905

Expenditures	Amount		Source of Revenue	Amount	
	Yen	*Yen*		*Yen*	*Yen*
Extraordinary military expenses (third estimates)		450,450,000	Public loans		450,450,000
			Public loans	63,193,242	
Extraordinary affairs expenses (third estimates)	79,500,000		Treasury surplus	16,306,758	
			Treasury surplus	2,500,000	
Supplementary estimates	2,500,000				
		82,000,000			82,000,000
Total		532,450,000	Total		532,450,000

The third estimates thus comprised 450,450,000 *yen* for military expenses, and 82,000,000 *yen* for extraordinary expenses, making 532,450,000 *yen* in all.

To sum up, the entire estimates for the expenses of the Russo-Japanese War amounted to 1,746,420,000 *yen* in extraordinary military expenses and to 239,700,000 *yen* in extraordinary affairs expenses, thus making the total of 1,986,120,000 *yen*. The sources of revenue for the extraordinary

military expenses were the special accounts fund, amounting to 63,000,000 *yen*, the revenue from the increase of taxes, etc., of 181,200,000 *yen*, the revenue from national loans of 1,492,420,000 *yen*, the Treasury surplus to the amount of 7,790,000 *yen*, the contributions to the war funds amounting to 1,500,000 *yen*, and the miscellaneous incomes of 500,000 *yen*, aggregating 1,746,420,000 *yen*.

For the extraordinary affairs expenses, the sources of revenue were the second reserve fund amounting to 370,000 *yen*, the Treasury surplus of 140,210,000 *yen*, the special accounts fund of 4,250,000 *yen*, the increase of taxes amounting to 31,670,000 *yen*, and the revenue from national loans to the amount of 63,190,000 *yen*, aggregating 239,700,000 *yen*. For the sake of convenience the extraordinary military expenses

SUMMARY OF ESTIMATES FOR WAR EXPENDITURES[a]

	Estimates drawn up before war	First estimates	Second estimates	Third estimates	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
War expenditures	157,651,515	420,000,000	876,025,409	532,450,000	1,986,126,924
Extraordinary military expenses	155,971,036	380,000,000	760,000,000	450,450,000	1,746,421,036
Ordinary budget	....	380,000,000	700,000,000	450,450,000	1,530,450,000
Urgency measure	155,971,036	....	....	....	155,971,036
Extraordinary defrayal	....	....	60,000,000	....	60,000,000
Extraordinary affairs expenses	1,680,479	40,000,000	116,025,409	82,000,000	239,705,888
Ordinary budget	....	40,000,000	80,000,000	79,500,000	199,500,000
Supplementary budget	....	....	7,200,000	2,500,000	9,700,000
Urgency measure	257,894	....	....	....	257,894
Extraordinary defrayal	1,422,585	....	28,825,409	....	30,247,994
Sources of revenue for war expenses	157,651,515	420,000,000	876,025,409	532,450,000	1,986,126,924
Sources of revenue for extraordinary military expenses	155,971,036	380,000,000	760,000,000	450,450,000	1,746,421,036
Special accounts fund	25,000,000	30,000,000	8,000,000	....	63,000,000
Increase of taxes, etc.	....	62,201,879	119,000,000	....	181,201,879
National loans	130,971,036	280,000,000	631,000,000	450,450,000	1,492,421,036
Treasury surplus	....	7,798,121	....	....	7,798,121
Public contributions to war funds	....	....	1,500,000	....	1,500,000
Miscellaneous incomes	....	....	500,000	....	500,000
Sources of revenue for extraordinary affairs expenses	1,680,479	40,000,000	116,025,409	82,000,000	239,705,888
Special accounts fund	257,894	....	4,000,000	....	4,257,894
Increase of taxes, etc.	....	....	31,671,023	....	31,671,023
National loans	....	....	....	63,193,242	63,193,242
Treasury surplus	1,052,085	40,000,000	80,354,386	18,806,758	140,213,229
Second reserve fund	370,500	....	....	....	370,500

[a] This table is based upon the Department of Finance *Report on the War-time Finance of the Russo-Japanese War*. The extraordinary defrayal of December, 1905, is included in the second estimates in order to make clear the distribution of the extraordinary affairs expenses over several fiscal years.

were handled as special accounts and the extraordinary affairs expenses as general accounts. In the special accounts of the extraordinary military expenses, therefore, the interval between the beginning and the end of the war finance, that is, between December, 1903, and March 31, 1907, was considered one fiscal year. The details of the war expenses, stated above, may be seen in the table on page 37.

Of the extraordinary affairs expenses incorporated in general accounts, the estimates of each period in the above table are considered estimates for that fiscal year. So the first are estimates for 1904–5, the second for 1905–6, and the third for 1906–7. The special accounts of the extraordinary military expenses were closed on March 31, 1907, and their defrayal was brought to an end in June of that year. Of the special accounts still unsettled on the date last named therefore, the necessary items were transferred to general accounts to be defrayed, under the name of extraordinary military expenses, between the fiscal years 1907–8 and 1912–13.

The War-time Military Expenses

The above is the outline of the financial program in connection with the Russo-Japanese War. It is to be noted that the war expenses consisted of the war-time military expenses incurred for war itself, and the war-time administrative expenses caused by the war directly or otherwise. It may be proper to consider the extraordinary military expenses belonging to the special accounts as the whole of the war-time military expenses, and to exclude the extraordinary military expenses transferred to the general accounts from the war-time military expenses, regarding them as the peace-time armament expenses.

The war-time military expenses were incurred to keep in operation for 19 months an army of 1,000,000 men and a navy of 72 warships with an aggregated tonnage of 260,000. They amounted to over 1,508,470,000 *yen*, of which the Army incurred over 1,283,310,000 *yen* and the Navy over 225,150,000 *yen*. Their details will be explained by dividing them into

the personnel expenses, the equipment expenses, and the miscellaneous expenses.

The personnel expenses included the general pay, rewards and special allowances to the soldiers and others who participated in the war, and amounted to 314,910,000 *yen*, more than 20 per cent of the whole of the war-time military expenses. Of this amount, some 150,310,000 *yen*, 10 per cent of the war-time military expenses, was the general pay, and some 164,600,000 *yen*, also 10 per cent of the war-time military expenses, was the total of the rewards and special allowances. Classified according to the Army and the Navy, the Army personnel expenses totaled 290,290,000 *yen*, or over 19 per cent of the whole of the war-time military expenses, of which 8.9 per cent, that is, some 134,000,000 *yen*, was for the general pay, and more than 10 per cent, that is, some 156,290,000 *yen*, for the rewards and special allowances. The Navy personnel expenses amounted to 24,610,000 *yen*, only 1.6 per cent of the war-time military expenses, of which 1 per cent, that is, some 16,300,000 *yen*, was for the general pay, and 0.5 per cent, that is, 8,300,000 *yen*, was for the rewards and special allowances. The details are shown in Table A at the end of this chapter.[1]

The equipment expenses amounted to 1,185,410,000 *yen*, 78.6 per cent of the war-time military expenses. In order to study these expenses accurately, it is necessary to divide them into human fighting-power expenses, or those incurred for the maintenance of the fighters; material fighting-power expenses, or those incurred for arms, buildings, fortifications, warships and the like; and communication expenses, or those incurred for the transportation of troops, arms and munitions, and for correspondence. All expenses which do not come within the above three divisions are included under the heading "Other expenses." The details of the equipment expenses are shown in Table B at the end of this chapter.[2]

It is to be noted that the Army equipment expenses totaled over 986,180,000 *yen*, 65.4 per cent of the war-time military

[1] *Post*, p. 49. [2] *Post*, p. 50.

expenses. Of this amount, some 390,810,000 *yen*, 25.9 per cent of the war costs, was for the human fighting-power expenses, of which food and clothing were the chief items. The material fighting-power expenses for arms, building and fortification, horses, forage, etc., were some 278,900,000 *yen*, 18.5 per cent of the war costs; and the communication expenses amounted to 264,000,000 *yen*, 17.5 per cent of the entire costs. The transportation expenses, which form the main part of the communication expenses, were incurred for the construction and management of military railways in Manchuria and Korea, for the chartering of ships, and for other purposes connected with military transportation. Of the "other expense" items, the store expenses amounted to 52,460,000 *yen*, 3.5 per cent of the war costs.

The Navy equipment expenses totaled some 199,220,000 *yen*, only 13.2 per cent of the war-time military expenses. Of this amount, some 13,700,000 *yen*, 0.9 per cent of the entire costs, went toward the human fighting-power expenses, while some 112,630,000 *yen*, 7.5 per cent of the war costs, went toward the material fighting-power expenses, which included the manufacture and repair of arms, the construction and repair of ships, the repletion of units, and the purchase of warships. The communication expenses were 21,610,000 *yen*, 1.4 per cent of the war costs, mostly incurred by the ship-transportation work. The "other expense" items amounted to 51,270,000 *yen*, 3.4 per cent of the entire costs, and comprised the expenses for the maintenance of units, the greater part being incurred for the purchase of coal and other necessaries for the operation of units. Most of the equipment expenses for the Army and Navy, that is, 404,520,000 *yen*, 26.8 per cent of the military expenses, were incurred for the human fighting power. Next, the material fighting-power expenses were 391,530,000 *yen*, 26 per cent of the entire costs; the communication expenses, 285,620,000 *yen*, 18.9 per cent of the entire expenses; and the "other expenses," 103,730,000 *yen*, only 6.9 per cent of the entire expenses. There were also the miscellaneous expenses totaling 8,140,000 *yen*, of which

6,830,000 *yen* were for the Army and 1,310,000 *yen* for the Navy. The details follow:

MISCELLANEOUS EXPENSES

Army			Navy		
	Yen	*Per Cent*		*Yen*	*Per Cent*
Secret service money	3,224,435	....	Secret service money	824,928	....
Enlistment expenses	3,167,500	....	Expenses for the triumphal ceremony	29,193	....
Lost money	113,371	....	Lost money	402,958	....
Hiroshima City sanitation	40,975	....	Sanitary expenses	55,997	....
River Edo bridge construction	21,700	....	Expenses for the compilation of the naval hygienic history during the Russo-Japanese war	193	....
Contributions to the Yasukuni Shrine	265,000	....			
Total	6,832,981	0.5	Total	1,313,269	0.1
Grand total				8,146,250	0.5

To recapitulate briefly, the war costs for the Army totaled some 85 per cent, the equipment expenses some 65 per cent, the personnel expenses some 19.0 per cent, and the "other expenses" only 0.5 per cent of the entire war expenses. But the war costs for the Navy amounted to only 14.9 per cent of the entire war expenses. Indeed, they were so low that they were below the Army personnel expenses alone. The equipment expenses, the greater part of the Navy war costs totaled some 13 per cent, the personnel expenses 1.6 per cent, and the miscellaneous expenses less than 0.1 per cent, of the total war expenses.

That the costs for the Navy were comparatively small may be explained by the fact that the fighting power of a navy consists mainly in such material equipments as warships and armament, which can not be rapidly increased in war, and calls for rapid increase of the personnel, which is of secondary consideration. But the case is quite different with the Army whose fighting power in war can be rapidly increased in its personnel, at the same time enlarging its material fighting power represented by the arms and munitions, which are subordinate to the personnel. It is also to be remembered that the expenses in connection with the personnel are generally larger than those for the arms and munitions. It is not strange, therefore, that the war costs for the Army are far

higher than those for the Navy. Furthermore, of the Army war costs the human fighting-power expenses are much larger than those for the material fighting power; and the personnel expenses are comparatively large in proportion to the equipment expenses. Of the war costs for the Navy, however, the material fighting-power expenses are much larger than those for the human fighting power; and the personnel expenses are comparatively small in proportion to the equipment expenses. Of the Army war costs, the expenses relating to the men occupy the most prominent place, whereas the greater part of the Navy war costs is for material equipments such as warships and armaments. Of the total war costs, however, 78.6 per cent is for equipment expenses, 20.9 per cent for personnel expenses, and 0.5 per cent for miscellaneous expenses.

The War-Time Administrative Expenses

The expenditure on the management of the general affairs caused by the Russo-Japanese War may be termed the war-time administrative expenses. The money for the purpose was laid out under the name of the extraordinary-affairs expenses between the fiscal year of 1903–4 and that of 1907–8. The amount was some 1,560,000 *yen* in the first year, 31,540,000 *yen* in the second year, 109,630,000 *yen* in the third year, 65,220,000 *yen* in the fourth year, and 13,610,000 *yen* in the fifth year. The details, classified according to the Departments of State, are as follows:

Departments	1903–4	1904–5	1905–6	1906–7	1907–8	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Foreign	1,229,545	2,642,643	2,502,294	2,094,287	360,903	8,829,672
Home	11,513	635,169	1,213,400	155,498	....	2,015,580
Finance	256,966	19,196,740	96,591,293	11,631,690	1,148,161	128,824,850
War	....	....	....	27,720,591	8,545,001	36,265,592
Navy	20,990	115,002	49,048	21,300,809	3,553,541	25,039,390
Education	9,289	77,281	112,483	60,150	....	259,202
Agriculture and commerce	31,905	1,718,931	2,433,975	734,660	....	4,919,471
Communications	....	7,163,147	6,735,814	1,525,799	3,089	15,427,849
Total	1,560,208	31,548,913	109,638,306	65,223,484	13,610,695	221,581,606

It is to be noted that the war-time administrative expenditure totaled some 221,580,000 *yen* for all the departments, and

that the expenses for the Finance Department were the largest, being some 128,820,000 *yen*, which came next in order to those for the War Department, some 36,260,000 *yen*, those for the Navy Department, some 25,030,000 *yen*, those for the Department of Communications, 15,420,000 *yen*, and those for the other departments, 7,190,000 *yen*.

In order to understand the make-up of the expenditures more clearly, it is necessary to leave the formal for the concrete classification, and to subdivide it into ordinary administration expenses, economic administration expenses, financial administration expenses, military expenses, and expenses relative to Manchuria and Korea.

The ordinary administration expenses are the expenses needed by the Home, Foreign, and other departments for ordinary administration. Those for the Foreign Office, totaling some 6,860,000 *yen*, were mostly spent on the secret service and the telegraph service, as well as for the dispatch of police officers to Korea and the withdrawal of some Japanese residents abroad. Those for the Home Office totaling, some 2,010,000 *yen*, were chiefly needed for the removal of the impediments caused by the war, some being taken by the local governments, or for the purpose of giving temporary rewards. The "Other" administration expenses, 5,440,000 *yen* in total, were mostly spent on the honors and gratuities granted in connection with the war, some going for the expenses of meteorological observation in Manchuria, the Prize Court, and Cabinet miscellanies. These ordinary administration expenses total some 14,320,000 *yen*. Their details are tabulated on the following page.

The economic administration expenses were those expenses for coping with the new development of the economic situation caused by the war, comprising some 4,940,000 *yen* for the Department of Agriculture and Commerce and some 9,740,000 *yen* for the Department of Communications, totaling 14,690,000 *yen*. The bulk of the economic expenses for the Department of Agriculture and Commerce were incurred for the extension of the Government Ironworks to meet the war-

ORDINARY ADMINISTRATIVE EXPENSES, 1903–1907 [a]

	1903–4	1904–5	1905–6	1906–7	Total
Foreign Office	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Secret Service money	1,089,994	837,721	1,160,965	199,958	3,288,648
Telegram charges	....	1,299,994	1,070,915	....	2,370,909
Miscellaneous expenses	139,551	504,928	270,414	285,606	1,200,499
Total	1,229,545	2,642,643	2,502,294	485,574	6,860,056
Home Office					
Extraordinary police expenses	6,905	121,010	273,997	13,498	415,410
Relief expenses for soldiers' families	....	354,701	365,862	2,626	723,189
Extraordinary sanitary expenses	....	19,743	273,403	....	293,146
Extraordinary reward expenses	....	53,592	110,731	100,937	265,260
Miscellaneous expenses	4,608	86,123	189,407	38,437	318,575
Total	11,513	635,179	1,213,400	155,498	2,015,580
Other Expenses					
For manufacture of decorations, medals, etc.	....	299,260	596,353	3,804,628	4,700,241
For extraordinary meteorological observation	9,289	77,281	112,482	60,150	259,202
Miscellaneous	5,587	31,826	134,877	214,586	486,876
Total	14,876	408,367	843,712	4,179,364	5,446,319
Grand total	1,255,934	3,686,179	4,559,406	4,820,436	14,321,955

[a] The expenses for the Kwantung Government General are excluded from the Foreign Office expenses; the Home Office expenses are the same as the expenses under the control of the Home Office; and the "other" administration expenses include the expenses for the Cabinet under the control of the Finance Department, small items belonging to the Audit Board, the extraordinary meteorological observation expenses of the Education Department, the expenses for the handling of the war honors and allowances for the Department of Communications, and the expenses of the Prize Court.

created demands for iron and steel and some were incurred for the encouragement of horse gelding, for the cutting of firewood for the Army, and for mining business expenses. The expenses for the Department of Communications were those incurred for the rapid increase in mails and telegrams, for the construction of the rolling stock necessary for military transportation, and for the quick construction of the railway line between Fukuchiyama, Sonobe, and Maizuru. The details are shown in the table at the top of the following page.

The military expenses, some 61,300,000 *yen* in all, were under the control of the Department of War and Navy. It appears proper to include them in the war-time military expenses, which were discussed in the preceding section, but they are considered here simply because they were a part of the extraordinary-affairs expenses. And the expenses for the Department of War totaled some 36,260,000 *yen*, of which

ECONOMIC ADMINISTRATION EXPENSES, 1903–1907 [a]

	1903–4	1904–5	1905–6	1906–7	Total
Agriculture and Commerce Department	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Ironworks establishment expenses	31,905	1,576,871	2,307,271	724,378	4,640,425
Miscellaneous expenses	....	148,173	149,001	10,282	307,456
Total	31,905	1,718,931	2,433,975	734,660	4,947,991
Communication Department					
Communication expenses	....	2,171,742	4,171,477	388,940	6,732,159
Expenses for accelerated construction of railways	....	1,336,928	....	....	1,336,928
Expenses for manufacture of rolling stock	....	315,025	1,021,815	162,247	1,499,087
Miscellaneous expenses	....	9,452	21,182	149,440	180,074
Total	....	3,833,147	5,214,474	700,627	9,748,248
Grand total	31,905	5,552,078	7,648,449	1,435,287	14,696,129

[a] The expenses for the Department of Agriculture and Commerce are inclusive of the economic expenses under the control of the Finance Department; the expenses in connection with Manchuria and Korea and the expenses for handling of the war honors and allowances are excluded from the ordinary expenses of the Department of Communications and put under the head of the economic expenses of the Department.

some 27,780,000 *yen* was for the equipment expenses and some 8,360,000 *yen* for the personnel expenses. The expenses for the Navy were some 25,030,000 *yen* mostly for the equipment purpose, of which over 11,120,000 *yen* were for the repletion of units, some 4,180,000 *yen* for the manufacture and repair of arms, and some 6,080,000 *yen* for the construction and repair of ships. The details are as follows:

MILITARY EXPENSES, 1903–1908

	1903–4	1904–5	1905–6	1906–7	1907–8	Total
War Office	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Personnel expenses	....	....	....	8,235,797	126,201	8,361,998
Equipment expenses	....	....	....	19,366,794	8,418,800	27,785,494
Secret service money	....	....	....	118,000	....	118,000
Total	....	....	....	27,720,591	8,544,001	36,265,592
Navy Department						
Units completion expenses	....	....	....	9,745,976	1,381,220	11,127,196
Expenses for manufacture and repair of arms	....	....	....	3,481,853	703,951	4,185,804
Expenses for construction and repair of ships	....	....	....	5,009,397	1,072,515	6,081,912
Expenses for maintenance of units	....	....	....	1,690,842	395,854	2,086,696
Miscellaneous expenses	20,990	115,002	49,048	1,372,741	....	1,557,782
Total	20,990	115,002	49,048	21,300,809	3,553,541	25,039,390
Grand total	20,990	115,002	49,048	49,021,400	12,097,542	61,304,982

The expenses in connection with Manchuria and Korea, 11,380,000 *yen* in total, were those political expenses incurred for the accelerated construction of means of communication during the war-time and also for the enforcement of the rights secured by Japan through the war. The expenses for the accelerated construction of means of communication, 5,480,000 *yen* in all, included the subsidy for the construction of the Seoul-Fusan Railway, loans to the Seoul-Fusan Railway Co., and the expenses for the management of the communication work in Korea. The political expenses, 5,900,000 *yen* in total, were the expenses for the Kwantung Government-General and Korean Government-General Offices, and the subsidies to the Korean Government. The details are as follows:

EXPENSES IN MANCHURIA AND KOREA, 1904–1908

	1904–5	1905–6	1906–7	1907–8	Total
Political expenses[a]	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Expenses for the Kwangtung Government-General Office	....	....	1,608,713	360,903	1,969,616
Advances to the Korean Government	....	1,500,000	....	....	1,500,000
Expenses for the Korean Resident-General Office	....	273,205	2,027,781	132,441	2,433,427
Total	....	1,773,205	3,636,494	493,344	5,903,043
Expenses for the accelerated construction of means of communications					
Subsidies for the construction of the Seoul-Fusan Railway	1,750,000	450,000	....	....	2,200,000
Loans to the Seoul-Fusan Railway Co.	1,580,000	....	....	....	1,580,000
Expenses for management of communication work in Korea	....	1,071,340	630,625	3,089	1,705,054
Total	3,330,000	1,521,340	630,625	3,089	5,485,054
Grand total	3,330,000	3,294,545	4,267,119	496,432	11,388,097

[a] Of the political expenses, the expenses for the Kwantung Government-General were under the control of the Foreign Office, the expenses relating to Korea, under the control of the Finance Department, and the expenses relating to communications, under the control of the Department of Communications.

The financial administration expenses totaled some 119,870,000 *yen*, more than half of the entire war-time administration expenses. They were incurred for the issue of the war-time bonds, the payment of interest, the collection of war-taxes, the creation of Government monopolies of tobacco and salt,

the utilization of national wealth, and for other purposes. The interest on the national loans totaled some 78,630,000 *yen;* the expenses for the tobacco monopoly, some 15,280,000 *yen;* the expenses for the salt monopoly, some 9,810,000 *yen;* the expenses in connection with the issue of the bonds and the national bonds in general, 13,050,000 *yen;* and the taxation expenses, some 1,120,000 *yen.* The expenses for the utilization of national wealth, some 1,360,000 *yen* in total, were those expenses required in connection with the handling of loan subscriptions, the issue and conversion of military convertible notes at the front, and the mintage and transportation of silver coins for circulation in Manchuria. The subjoined table shows the details:

FINANCIAL ADMINISTRATIVE EXPENSES, 1903–1908 [a]

	1903–4	1904–5	1905–6	1906–7	1907–8	Total
National debts interest	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Public loan interest.	....	7,004,329	66,136,777	....	....	73,141,106
Temporary loan interest.....	....	3,755,701	1,738,648	....	....	5,494,349
Total.....	....	10,760,030	67,875,425	....	....	78,635,455
Expenses in connection with the issue of national loans....	204,883	2,481,256	7,004,962	3,368,844	....	13,059,945
Monopoly expenses						
Tobacco monopoly expenses.....	....	4,414,321	9,792,611	630,271	413,158	15,280,361
Salt monopoly expenses.....	....	152,345	7,827,669	1,235,160	596,597	9,811,771
Total.....	....	4,596,666	17,620,280	1,865,431	1,009,755	25,092,132
Taxation expenses....	....	337,578	790,354	....	....	1,127,932
Expenses for utilization of national wealth..	46,496	500,958	476,736	337,521	....	1,361,711
Miscellaneous expenses	....	183,037	296,788	107,432	5,964	593,221
Grand total.....	251,379	18,859,541	94,064,561	5,679,242	1,015,720	119,870,443

[a] This table is compiled from the expenses relating to financial matters under the control of the Department of Finance. Fractions of *yen* are included in the grand total but are excluded from the totals of other items; hence the difference in sums.

To sum up the foregoing statements under the various heads of the war-time administration expenses, the ordinary administration expenses totaled some 14,320,000 *yen,* or 6.5 per cent of the grand total; the expenses relating to Manchuria

and Korea, some 11,380,000 *yen*, or 5.1 per cent; the economic administration expenses, 14,690,000 *yen*, or 6.5 per cent; the military expenses, some 61,300,000 *yen*, or 27.7 per cent; the financial administration expenses, 119,870,000 *yen*, or 54.1 per cent; and the entire war-time administration expenses amounted to 221,581,606 *yen*. These figures may be tabulated as follows:

	Yen	*Per cent*			
Ordinary administration expenses...	14,321,955	6.5			
Political expenses relating to Manchuria and Korea.....	5,903,043	2.6	9.1		
Communication expenses relating to Manchuria and Korea.....	5,485,054	2.5	9.1	18.2	
Economic administration expenses..	14,696,129	6.6			45.9
Military administration expenses...	61,304,982	27.7	27.7	27.7	
Financial administration expenses...	119,870,443	54.1	54.1	54.1	54.1
Total.....	221,581,606	100.0	100.0	100.0	100.0

It is to be noted that in a broad sense the ordinary administration expenses and the economic administration expenses, the former including the political expenses relating to Manchuria and Korea and the latter including the communication expenses relating to Manchuria and Korea, are almost the same amounts, each 9.1 per cent of the entire war-time administration expenses exclusive of the financial and military items. Added, they amount to 18.2 per cent. Of the entire expenditure, of which the military expenses are 27.7 per cent, the remaining 54.1 per cent, that is, more than half of the war-time administration expenses, was for the financial administration, especially for raising the war-time national loans, for collecting the war-time taxes, and for creating government monopolies of tobacco and salt.

TABLE A.—PERSONNEL EXPENSES[a]

	Army			Navy			Total	
	Yen	*Per cent*		*Yen*	*Per cent*		*Yen*	*Per cent*
General pay	134,004,327	8.9	General pay	16,306,007	1.1		150,310,334	10.0
Salaries	77,786,320	5.2	Salaries	15,342,209	1.0		93,128,529	6.2
Wages	56,202,142	3.7	Wages and miscellaneous expenses	472,626	0.1		57,181,803	3.8
Miscellaneous expenses	15,863		Allowances	491,172				
Rewards and special allowances	156,292,465	10.3	Rewards and special allowances	8,307,636	0.5		164,600,101	10.8
Total	290,296,792	19.2		24,613,643	1.6		314,910,435	20.8

[a] The above table and the statistics on page 39 are compiled from the Government *Reports on the Extraordinary Military Expenses* and the vouchers and other documents of the Audit Board, but classified in a manner somewhat different from the official classification.

TABLE B.—EQUIPMENT EXPENSES

Army			Navy			Total	
	Yen	*Per cent*		*Yen*	*Per cent*	*Yen*	*Per cent*
Human fighting-power expenses	390,812,098	25.9	Human fighting-power expenses	13,708,461	0.9	404,520,559	26.8
Feeding and forage [a]	261,795,339	17.3	Feeding	7,905,450	0.5		
Clothing	174,919,591	11.6	Clothing	5,469,789	0.4		
Hospital	8,737,168	0.6	Hospital	333,222	0		
Material fighting-power expenses	278,900,648	18.5	Material fighting-power expenses	112,632,347	7.5	391,532,995	26.0
Arms	154,310,773	10.2	Arms manufacturing and repairing	22,418,882	1.5		
Building and fortification	46,504,062	3.1	Ship building and repairing	26,079,874	1.7		
Horses	23,445,813	1.6	Repletion of units	46,698,890	3.1		
			Purchase of warships	15,984,593	1.1		
			Naval and strategic ports	1,450,108	0.1		
Communication expenses	264,007,800	17.5	Communication expenses	21,616,041	1.4	285,623,841	18.9
Transportation	249,163,400	16.5	Shipping	20,329,626	1.3		
Traveling	13,269,199	0.9	Traveling	1,213,072	0.1		
Postal and telegraph	1,575,201	0.1	Hydrographical	73,343			
Other expenses	52,467,731	3.5	Other expenses	51,270,722	3.4	103,738,453	6.9
Store	40,475,186	2.7	Maintenance of units	39,540,645	2.6		
Maneuvers	1,799,759	0.8	Repairs	5,108,206	0.8		
War medals	606,683		Foundations	1,048,002			
Miscellaneous	9,586,103		Arsenals and dockyards	693,288			
			War medals	40,408			
			Miscellaneous	4,840,173			
Total	986,188,283	65.4		199,227,571	13.2	1,185,415,954	78.6

[a] Separate figures for feeding and forage expenses are not available.

CHAPTER III

RESOURCES FOR DEFRAYING WAR EXPENSES

War Loans

Though various resources were utilized for the purpose of raising the necessary funds to carry on the war with Russia, it was the loans that supplied practically the whole of these needs. The government, coincidentally with compiling the estimates of the war expenditures, six times promulgated laws and ordinances concerning the defrayal of the expenses, and laid plans for issuing war loans on an extensive scale during the period from December, 1903, to February, 1906. According to these programs, (1) the amount of issues as determined by concrete figures reached the total of 1,688,000 *yen;* and, besides, it was arranged that (2) the balance between the total amount of issue prices and the total amount of face values of the bonds previously issued could be covered by fresh loans from time to time, when such a necessity arose; and that (3) over and above the delimited figures, loans could be raised when it was needed to consolidate or redeem temporary loans, funds of the special accounts and national bonds, borrowed or issued to meet the war expenses. The loans coming under the last category were intended for the consolidation of war bonds and others, having no connection with those loans which formed resources of the war expenditures, while it was the loans of definite amounts under the first and second categories that supplied the war needs. As we shall have later occasion to deal with the loan issues falling under the second category, we omit them here and tabulate on page 52 only the amounts of loans belonging to the first category.

After the opening of the war, various loans were issued one after another, within the limits authorized, in order to meet the estimated requirements of the war expenditures. The amount to be raised by domestic loans was 790,720,000 *yen*, while 800,560,000 *yen* was to be obtained from foreign loans,

LOAN ISSUES [a]

Authorization	Amounts
	Yen
Imperial Ordinance No. 291, December, 1903	100,000,000
Statute No. 1, April, 1904	280,000,000
Imperial Ordinance No. 228, November, 1904	120,000,000
Statute No. 12, January, 1905	455,000,000
Imperial Ordinance No. 194, November, 1905	300,000,000
Statute No. 1, February, 1906	433,000,000
Total	1,688,000,000

[a] The Imperial Ordinance of December, 1903, did not specify the amount of issue. This loan, however, is included under the first category, taking the amount authorized in the budget as the specified amount.

the two items aggregating 1,591,280,000 *yen*. It was, however, no light task for Japan at that time, with her limited financial power and her low international position, to raise such a large amount of money by loans. But the success or failure of these loans would immediately affect the working of the budget of war expenditures, constituting one of the important factors in deciding the fate of the Russo-Japanese War. The people therefore, out of patriotic fervor, gave an enthusiastic response to the call of the state, and the government took every step to enhance the value of domestic bonds and to insure the success of bond issues at home, upholding thereby Japan's financial credit abroad and facilitating the flotation of foreign loans. The government, in consultation with representatives of the money market, determined the valuation of the bonds (minimum issue price). For the purpose of maintaining this level so far as concerned the payments to or transactions by the government, it engaged that it would accept the bonds issued for the defrayal of war expenses in lieu of cash in payment of deposit moneys to be placed with the government by officials in charge of accounts, of securities by commission merchants or contractors of government works, or of other kinds of deposits or securities, taking the bonds at the minimum issue price in case of the bonds paid in full, or at the value already paid in case of the bonds in instalments, even when the market prices of these bonds were below the

minimum issue price. Although the settlement of debits was to be made at their market price in accordance with provisions of the Commercial Law, a special exception was made in favor of the war bonds, making them acceptable in payment for these debits at the minimum issue prices, irrespective of the current market rates. Besides giving by such direct means a higher valuation to the war bonds, it was also provided that the interest on the loans should be exempt from liability to assessment for the income tax, thus increasing the profit of the bonds and providing against their depreciation in market rates.[1] These measures conferred direct benefits on the holding of the war bonds. The government also tried other measures to increase the circulating power not only of war bonds but of public bonds in general by extending the uses to which these bonds could be put. Of course, this was done to indirectly increase the profit from the bonds, and thereby raise the value of the bonds in general and facilitate the issue of war loans. So when the unregistered national-loan bonds the redemption of whose capital had already commenced, and the coupons attached to the unregistered national-loan bonds whose interest was already due, were tendered in payment for taxes and other revenues to the Treasury, it accepted them in lieu of cash at the face value in respect of the bonds and also at the face value, as a general rule, in respect of coupons, treating the presentation of such bonds or coupons as demands for the payment of capital or interest.[2] These measures covered the government bonds in general, but no doubt conferred special benefits on the exchequer bonds issued for war loans. While thus taking steps, on the one hand, to advance, directly or indirectly, the incomes derived from the holding of national bonds, and thereby to maintain the prices of these

[1] Financial Department Order No. 48, October, 1904, Naval Department Notice No. 26, November, 1905, and Imperial Ordinance No. 20, January, 1905, provided for special treatment to be accorded war bonds deposited as securities in lieu of cash. Statute No. 20, February, 1905, provided for an exception in the settlement of debits in accordance with the Commercial Law. Statute No. 19, February, 1905, provided for the exemption of the interest on war bonds from the income tax.

[2] Payment with national-loan bonds and coupons to the Treasury in lieu of cash was provided for by Imperial Ordinance No. 34 and by Financial Department Ordinance No. 7, both issued in February, 1905.

bonds, the government endeavored, on the other hand, to insure the success of the loans by appealing to the sentiment of the people to subscribe to them.

Domestic Loans

The domestic loans issued as war bonds consisted of two kinds, namely, short-term exchequer bonds and long-time emergency loans. The exchequer bonds were issued for this purpose five times during the continuance of the war, that is, from March, 1904, to May, 1905, and totaled 480,000,000 *yen* in estimates, while the emergency loans, which were issued in March and June, 1906, and afterward, to meet the extraordinary needs after the war, aggregated 310,720,000 *yen*.

It was therefore the exchequer bonds that were issued to supply the imperative necessities for prosecuting the war. The reason the short-term exchequer bonds were adopted for war loans was because the interest rates were necessarily high in Japan on account of the small accumulation of capital, which was, in turn, due to the backward condition of the country in comparison with Europe and America, and because the flotation of loans at a time when the interest rates at home were taking an upward tendency on account of the war involved necessary disadvantages to the Treasury. The Treasury, under these circumstances, intended to convert its bonds into low-interest loans, especially foreign loans, to be floated at a proper time after the war. It was no easy task, however, for Japan at that time to raise such a large amount of funds, and yet it was considered that the results of the issues of exchequer bonds would affect the loan flotation abroad, reflecting, as they must, Japan's financial credit and the extent of her economic power. The government, therefore, paid strict attention to the issue of these bonds, and directed the local governors and financiers throughout the country to support the loan issues to the best of their powers, fixing at the same time the conditions of issue so as to bring the loans within reach of all classes of people.

The exchequer bonds issued consisted, as a rule, of unreg-

istered bonds with coupons, and were directly issued by the government on its own responsibility, the Bank of Japan being ordered to attend to the issuing business. As regards the conditions, the amount of each issue was 100,000,000 *yen*, excepting the third issue, which was 80,000,000 *yen*. The bonds were to be redeemed within seven years, except for the first issue, the term of redemption of which was fixed at five years. The minimum issue price per 100 *yen* nominal capital was 95 *yen* for the first issue, 92 *yen* for the second and third issues, while the price fell to 90 *yen* for the fourth and fifth issues. The interest rate was 5 per cent per annum for the first three issues, but it was raised to 6 per cent per annum for the fourth and fifth issues. The conditions of issue in this way gradually became disadvantageous to the government with the increase of its liabilities and the decrease of the power of the people to purchase the bonds. The following table shows the conditions for the five issues of the exchequer bonds:

ISSUES OF SHORT-TERM EXCHEQUER BONDS, MARCH, 1904, TO MAY, 1905

Issue	Date of issue	Amount of issue	Minimum issue price	Interest rate	Term of redemption	Deposit	Acceptance[a]	Instalments	Commission to bankers	
									On subscription deposits	On amounts paid in
	1904	*In million yen*	*Yen*	*Per cent*	*Years*	*Yen*			*Per cent*	*Per cent*
First.....	Mar.	100	95	5	5	2	..	8	2 or 3	0.3 or 0.4
Second...	June	100	92	5	7	2	..	9	3	0.4
Third....	Oct.	80	92	5	7	2	..	8	3	1.3
	1905									
Fourth...	Mar.	100	90	6	7	4	..	6	1.5	0.7
Fifth....	May	100	90	6	7	4	..	6	1.5	0.7

[a] Acceptance subject to the following conditions: (1) All applications above minimum issue price. (2) Accepted applications at minimum issue price in proportion to the amount applied for. (3) Applications of small amounts accepted without reduction, except the fifth issue, in which such applications were accepted with reduction.

To bring these national-loan bonds within reach of all classes, denominations were made as varied as possible. The bonds were issued each time in seven denominations, namely,

25, 50, 100, 500, 1,000, 5,000, and 10,000 *yen*. Again, the number of instalments was multiplied in order to make payment easy for subscribers in general. The first issue was thus made to be paid in 8 instalments in 9 months, the second issue in 9 instalments in 10 months, and the third issue in 8 instalments in 8 months, while in the fourth and fifth issues the number of instalments was lessened and the subscriptions were called up in 6 instalments in 6 months, as it was pretty certain in these cases that the greater part of the loans would be taken up by banks and other corporations. Each time payment of instalments in advance was allowed, and beginning with the third issue the payment in advance was encouraged by raising the interest rate for the prepaid amounts, while a higher interest rate was charged for the payments overdue, thus discouraging arrears. The method of acceptance, in cases where the loans were oversubscribed, was so arranged as to take in the subscriptions of the people in general. First, all applications above the minimum issue price were accepted, and then the applications at the minimum issue price were added up to the required sum, distributing the balance in proportion to the amounts of those applications. But in the first issue an exception was made in favor of small applications below 200 *yen*, which were accepted without any reduction. In the second, third, and fourth issues, however, the interest of large subscribers was considered, and no exceptions favorable to small subscribers were made except that subscriptions which fell below the minimum denomination of 25 *yen*, in consequence of the proportional distribution, were also taken in at 25 *yen*. But the fifth issue did not allow even this concession, refusing acceptance in all such cases. The deposit accompanying the applications for the first, second, and third issues was fixed at 2 *yen* per 100 *yen* applied for, but each time there was a very large number of subscribers, and not a few who failed to pay instalments by their proper dates, so in the last two issues the deposit was increased to 4 *yen*, with a view to remedying this defect. The commission allowed to bankers, for the issue of exchequer

bonds, represented the actual expense required for the disposal of business relating to the issue, and did not include the compensation for the risk involved in undertaking the flotation of loans, as in the case of foreign loans issued during the war. This commission, therefore, could hardly be counted among the conditions of issue in the ordinary acceptation of the term. However this might be, the first rate of commission for the first issue was 0.3 per cent on the instalment allotments (excluding that part of the allotments which was paid in the shape of deposits) and 2 per cent on the deposits. But in consideration of the fact that there was a large number of applicants, entailing time and trouble on the part of the bankers, the former was subsequently increased to 0.4 per cent and the latter to 3 per cent. These increased rates applied as well to the second issue. In the third issue, which required particular efforts on the part of the financiers, the commission on instalment allotments was raised to 1.3 per cent, while that on deposits remained unaltered. In the fourth and fifth issues the former was lowered to 0.7 per cent, while the latter was also reduced by half, that is, to 1.5 per cent, because of the fact that the deposits in these issues were double the amount for the earlier issues.

The results of these issues of the exchequer bonds were that the first issue was widely taken up among the people, but that this feature changed with the repetition of issue, until the subscribers came to be limited practically to very wealthy men in the fourth and fifth issues. However, every issue was a success and oversubscribed several times. As the result of a vigorous campaign, the first issue secured the largest number of applicants, and was oversubscribed four and a half times, of which 33 per cent was represented by applications above the minimum issue price. The number of applicants markedly decreased in the second and third issues, yet the amount of subscriptions exceeded the issue amount by more than three times. The applications above the minimum issue price represented 6 per cent and 2 per cent, respectively, of the amount subscribed for on these two occasions. The

last two issues met with an enthusiastic reception because of the profitable conditions. They were oversubscribed five times, though the number of subscribers was nearly the same as in the second and third issues. In the fourth and fifth issues the applications over the minimum issue price represented between over 77 per cent and over 29 per cent of the subscribed amounts. The details follow:

NUMBER AND AMOUNT OF SUBSCRIPTIONS AT AND ABOVE MINIMUM ISSUE PRICE FOR SHORT-TERM EXCHEQUER BONDS

Issue	Above minimum issue price		At minimum issue price		Total	
	Amount	Subscribers	Amount	Subscribers	Amount	Subscribers
	Yen		*Yen*		*Yen*	
First.....	33,439,675	234,595	418,690,800	1,111,363	452,130,475	1,345,958
Second...	6,267,675	15,527	315,923,275	364,276	322,190,950	379,803
Third....	1,872,625	10,203	243,956,575	467,575	245,829,200	477,778
Fourth...	77,023,900	34,851	408,852,350	494,478	485,876,250	529,329
Fifth.....	29,437,275	41,041	468,823,950	614,044	498,261,225	655,085
Total	148,041,150	336,217	1,856,246,950	3,051,736	2,004,288,100	3,387,953

Of these subscribed amounts, the applications above the minimum issue price were all accepted, while those at the minimum issue price were accepted to the limit of making up the issue amount. But since the subscriptions were raised from the general public, there were a large number of deposits and instalments forfeited because of the failure in the payment by proper dates. This defect, however, gradually lessened as the subscribers came to be limited to wealthy men. The forfeitures reached the total of 6,930,000 *yen*, so that the exchequer bonds actually issued amounted to 473,060,000 *yen*. The details are tabulated at the top of the next page.

Of over 473,060,000 *yen*, the total amount of the exchequer bonds actually issued, the income to the Treasury was over 435,190,000 *yen*, comprising over 434,130,000 *yen* for payments at the minimum issue price, over 750,000 *yen* for premium, and over 300,000 *yen* for forfeitures of deposits and instalments previously paid. The amount of income each time was as shown on the opposite page.

AMOUNT OF SHORT-TERM EXCHEQUER BONDS ACTUALLY ISSUED AT AND ABOVE ISSUE PRICE

Issue	Amount accepted	Applications		For-feitures	Balance actually issued
		Above issue price	At issue price		
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
First	100,000,000	33,439,675	66,560,325	3,022,750	96,977,250
Second	100,000,000	6,267,675	93,732,325	1,123,350	98,876,650
Third	80,000,000	1,872,625	78,127,375	2,519,300	77,480,700
Fourth	100,000,000	77,023,900	22,976,100	63,850	99,790,575
Fifth	100,000,000	29,437,275	70,562,725	63,850	99,936,150
Total	480,000,000	148,041,150	331,958,850	6,938,675	473,061,325

NET RECEIPTS FROM THE SHORT-TERM EXCHEQUER BONDS AT MINIMUM ISSUE PRICE

Issue	Receipts			For-feitures	Net receipts
	Payments at minimum issue price	Premiums	Total		
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
First	92,128,388	247,736	92,376,124	168,481	92,544,605
Second	90,966,518	15,278	90,981,796	47,592	91,029,388
Third	71,282,244	6,431	71,288,675	68,506	71,357,181
Fourth	89,811,518	443,444	90,254,962	16,126	90,271,088
Fifth	89,942,535	41,546	89,984,081	4,991	89,989,072
Total	434,131,202	754,436	434,885,638	305,696	435,191,334

NET AMOUNT OF FORFEITURES ON SHORT-TERM EXCHEQUER BONDS AT AND ABOVE ISSUE PRICE

Issue	Forfeitures			Amount paid	Net forfeitures
	Bonds at or above issue price	Premiums	Total		
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
First	2,871,613	6,953	2,878,565	168,481	2,710,084
Second	1,033,482	774	1,034,256	47,592	986,664
Third	2,317,756	298	2,318,054	68,506	2,249,548
Fourth	188,483	136	188,619	16,126	172,493
Fifth	57,465	66	57,531	4,991	52,540
Total	6,468,798	8,227	6,477,025	305,696	6,171,329

It will be seen from the foregoing table that the nominal amount of revenue to the Treasury from forfeitures reached 6,470,000 *yen*, of which only 305,696 *yen* was actually received by the Treasury in the form of deposits and instalments forfeited.

The commission allowed to bankers was directly defrayed from the Treasury and not out of the proceeds of the bond issues, as was the case with the foreign loans floated to supply the expenses of the war. However, the rates of commission are subjoined for reference. .

Rate and Amount of Commissions on Short-term Exchequer Bonds

Issue	Commissions on instalment allotments		Commissions on deposits		Total amount of commissions
	Rate	Amount	Rate	Amount	
	Per cent	*Yen*	*Per cent*	*Yen*	*Yen*
First	0.3 or 0.4	362,449	2 or 3	180,852	543,301
Second	0.4	347,414	2	193,320	540,734
Third	1.3	900,958	2	147,498	1,048,456
Fourth	0.7	601,394	1.5	291,526	892,920
Fifth	0.7	601,063	1.5	298,957	900,020
Total	.....	2,813,279	....	1,112,152	3,925,431

During the continuance of the war, exchequer bonds amounting to large figures were issued as detailed above. However, emergency bonds of considerable amounts had to be floated immediately after the conclusion of peace. To supply the deficits in the expenses during the war, and to meet the expenses for withdrawal of troops after the war and for the grant of rewards for military services, an emergency loan amounting to 200,000,000 *yen* was floated in March, 1906, and other loans of the same kind were issued during and after June, 1906, according to needs. The conditions of these loans were absolutely the same, except that, while the first loan was offered to public subscription, the later ones were issued as substitutes for grants rewarding services rendered in connection with the war.

The emergency loan of March, 1906, was issued directly by the government, and the business of the loan was disposed of by the Bank of Japan, as in the case of the exchequer bonds. As the money market was gradually reviving at the time, the government could secure better conditions for the loan than for the exchequer bonds.

The minimum issue price of the March loan was fixed at 95 *yen* per 100 *yen* nominal capital, the interest rate 5 per cent per annum, and the term of redemption 25 years after a term of maturity of 5 years from the date of issue. The bonds were in denominations of 50, 100, 500, 1,000, 5,000, and 10,000 *yen*. The deposit accompanying the application was made 5 *yen* per 100 *yen* subscribed for, to secure greater certainty as to the payment of instalments than in the case of exchequer bonds. The method of acceptance adopted was the same as in the case of the fifth issue of the exchequer bonds. The six instalments had to be paid in six months. Payments in advance of date were encouraged, allowing a discount for the instalments paid in full at the time of the second payment, while for the purpose of minimizing arrears a higher interest rate was charged for the instalment paid after the proper date. As the fourth and fifth issues of the exchequer bonds, bearing a high interest, were being converted at this time into new 4 per cent sterling bonds, it was allowed that these exchequer bonds be tendered in lieu of cash in payment for instalments on the emergency loan. In such cases the face value of the exchequer bond plus its interest to the month of redemption was taken as its valuation. When the separate amounts of emergency bonds applied for exceeded the total sum required, and when the amount in excess was reduced from the applied sums in proportion to their respective sizes, subscriptions to be paid in exchequer bonds were accorded a preferential right and exempted from being reduced. This encouraged the payment in exchequer bonds in lieu of cash.

Though this was a loan of a far greater amount than any previously floated at one time, it yielded results which were highly satisfactory. The subscribers numbered 800,000,

while the loan itself was nearly twice oversubscribed. The applications above the minimum issue price reached 6 per cent of the total amount subscribed for. The applications above the minimum issue price and those of which payment was to be made in exchequer bonds were all accepted as a matter of course, while applications at the minimum issue price were taken to the extent of 152,000,000 *yen*. Of the subscriptions accepted, bonds worth over 320,000 *yen* were forfeited on account of delay in payment. The amount of the bonds actually issued was, therefore, a little over 199,670,000 *yen*. The result in detail was as follows:

VALUE AND NUMBER OF APPLICATIONS FOR EMERGENCY LOAN OF MARCH, 1906, AT AND ABOVE ISSUE PRICE

	Above issue price		At issue price		Total	
	Value	Subscribers	Value	Subscribers	Value	Subscribers
Amount applied for						
(1) Ordinary applications	*Yen* 8,273,300	9,006	*Yen* 325,468,150	760,419	*Yen* 333,741,450	769,425
(2) Applications in exchequer bonds	3,827,550	1,420	35,603,200	23,275	39,430,750	24,677
Total	12,100,850	10,426	361,071,350	783,676	373,172,200	794,102
Amount accepted						
(1) Ordinary applications	8,273,300	....	152,295,950	....	160,569,250	....
(2) Applications in exchequer bonds	3,827,550	....	35,603,200	....	39,430,750	....
Total	12,100,850	....	187,899,150	....	200,000,000	....
Forfeitures	....	....	....	....	328,900	....
Balance actually issued	....	....	....	....	199,671,100	....

From the bonds actually issued in March, 1906, exceeding 199,670,000 *yen* in value, the Treasury obtained more than 189,080,000 *yen*, including over 189,040,000 *yen* as payments at the minimum issue price, over 10,000 *yen* as premiums, and over 10,000 *yen* as forfeitures. Emergency bonds issued from time to time during and after June, 1906, totaled more than 110,720,000 *yen* at the end of March, 1907. The income to the Treasury, that is, grants at issue price, aggregated over

105,180,000 *yen* by that date. The two kinds of emergency loans exceeded 310,390,000 *yen* in the total amount actually issued, the income to the Treasury from these loans being shown in the following table:

NET RECEIPTS FROM EMERGENCY LOANS, MARCH, 1906, AND DURING AND AFTER JUNE, 1906

Date of issue	Actual amount of issue	Amount received			Payments forfeited	Net receipts
		Payments at minimum issue price	Premiums	Total		
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
March, 1906 [a]	199,671,100	189,048,763	15,456	189,064,218	17,213	189,081,431
During and after June, 1906	110,722,950	105,186,803	....	105,186,803	....	105,186,803
Total	310,394,050	294,235,565	15,456	294,251,021	17,213	294,268,234

[a] In the March issue, instalments were discounted when they were paid in full before the second instalment was due. The instalment allotments for which a discount was allowed totaled 75,216,628 *yen*, the amount discounted being 638,782 *yen*. This last amount is not, of course, included under the payments at minimum issue price in the above table.

The bonds forfeited exceeded 320,000 *yen* in face value, which was more than 310,000 *yen* at issue price. This amount was lost to the Treasury, excepting over 17,000 *yen*, which had been paid. The commission allowed to bankers for the issue was more than 2,380,000 *yen*. The details are tabulated at the top of the following page.[1]

We have so far dealt with the domestic bond issues directly connected with the supply of war expenses. Besides these, and simultaneously with an increase of taxes for war purposes, the government monopoly of the tobacco business was established, and a loan called the tobacco monopoly exchequer bonds was issued to supply the initial expenses for taking over the business. In undertaking the tobacco monopoly, the government granted, first, certain sums of money to the tobacco manufacturers as compensations for their business profits surrendered; secondly, it paid for their movable and immovable property used in tobacco making, which it commandeered from the manufacturers; and, thirdly, such other property as

[1] Forfeitures and commissions on the emergency bonds issued during and after June, 1906, are not included in these two tables.

FORFEITURES IN MARCH, 1906, ISSUE OF EMERGENCY LOAN BONDS

Face value	Issue price	Premium	Total	Payments made	Balance not paid
Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
328,900	312,455	25	312,480	17,213	295,267

COMMISSIONS PAID BANKERS FOR FLOATING THE MARCH, 1906, ISSUE OF EMERGENCY LOAN BONDS

On instalment allotments		On deposits		Total
Rate	Amount	Rate	Amount	
Per cent	*Yen*	*Per cent*	*Yen*	*Yen*
1.2	2,156,458	.0006	223,903	2,380,361

was not commandeered was bought up by the government on application. The government gave exchequer bonds in payment for the first item, and did the same thing in payment for the second and third items on application of the recipients. These exchequer bonds were unregistered bonds with coupons, and were issued in denominations of 50, 100, 500, 1,000, and 5,000 *yen*. The bonds bore an interest rate of 5 per cent per annum, were to be redeemed within seven years from the date of issue, and were delivered to the tobacco manufacturers at their face value. These bonds were issued during the fiscal years 1904–5 and 1905–6, and totaled over 12,310,000 *yen*. The particulars are as follows:

DISTRIBUTION OF TOBACCO MONOPOLY EXCHEQUER BONDS IN TAKING OVER THE TOBACCO FACTORIES

Issue	Grants for profits	Compensations for property surrendered	Payments for purchase of imported tobacco	Payments for other purchases	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1904–5.....	2,886,800	542,650	3,142,700	108,650	6,680,800
1905–6.....	5,629,700	....	....	....	5,629,700
Total...	8,516,500	542,650	3,142,700	108,650	12,310,500

To recapitulate: The actual amount of domestic loans issued for supplying the war expenses aggregated more than 783,450,000 *yen*, comprising over 473,030,000 *yen* of exchequer bonds and over 310,390,000 *yen* of emergency loans, while the total income to the Treasury from these sources exceeded 729,130,000 *yen*, including over 434,880,000 *yen* from the exchequer bonds and over 294,250,000 *yen* from the emergency loans.

Foreign Loans

The most important part of the war expenditures was supplied by the proceeds from foreign loans, which formed more than half of all the war loans. The foreign loans consisted of two kinds, namely, the first and second 6 per cent sterling bonds, which were short-term loans and issued in May and November, 1904, and the first and second 4½ per cent sterling bonds, which were long-term loans and issued in March and July, 1905. These loans were placed on the markets in Great Britain and America or Great Britain, America, and Germany. They were floated by the indirect method of issue, each of the loans being taken up by a syndicate of banks. Between the two short-term loans and the two long-term loans there was a great difference in the conditions and results of issue, because the former were floated in the first half of the war, when the final issue of the conflict was yet unknown, while the latter were issued in the second half of the war, when the prospective victory of Japan became almost certain. This was, however, ten years after the Sino-Japanese War, and the development of Japan's economic resources during these years was not unknown to the world. Her international position was still low; consequently the offering of securities was a necessary condition for the loan issue, not only in the first but in the second half of the war. The conditions of issue for the four loans are set forth in Table A at the end of this chapter.[1]

The first two sterling loans, £10,000,000 and £12,000,000, respectively, were floated in London and New York in equal

[1] *Post*, p. 94.

amounts. The bonds were unregistered, provided with coupons, and issued in denominations of £100 and £200. The issue price of the first of these loans was £93, 10*s*. per £100 nominal capital, the net receipt of the government £90, the commission allowed to the underwriting banks £3, 10*s*., while the interest rate was 6 per cent per annum. The issue price of the other loan fell to £90, 10*s*., and the net receipt of the government also decreased, falling to £86, 15*s*., while the commission was raised to £3, 15*s*. The rate of interest, however, remained stationary at 6 per cent. The two loans were to be redeemed within seven years, and were redeemable at six months' notice at any time after three years from the date of issue. Both capital and interest were a charge upon the customs revenue of the government of Japan. The last coupons and prize tickets for redemption were receivable for customs dues at the rate of 1 *yen* per two shillings and half a penny.

The £30,000,000 sterling bonds, the first of the second two sterling loans bearing 4.5 per cent interest, were issued in London and New York in equal amounts. These were unregistered bonds with coupons, and had three denominations of £100, £200, and £500. The last of the second two sterling loans bearing 4.5 per cent interest also amounted to £30,000,000, and was raised in London, New York and Germany. These bonds were unregistered and provided with coupons, as in the previous case, but were issued in small denominations of £20, £100 and £200, so as to bring them within reach of the general public. The conditions of issue for these two loans were practically the same: the issue price was £90 per £100 nominal capital; the net receipt by the government, £86, 15*s*., the commission £3, 5*s*., the interest rate 4.5 per cent, the term of redemption 20 years, redeemable, however, at six months' notice at any time after an elapse of 5 years from the date of issue. Both loans were a charge upon the profits of the tobacco monopoly of the Japanese Government.

The four foreign loans issued one after another during the war were accorded an unexpected reception in England, America and other countries, and each time secured a remark-

able success. The first 6 per cent bonds, which were placed on the market in London on May 11 and closed on the same day, were oversubscribed thirty-three times, the amount applied for exceeding £151,970,000 and the number of applicants 30,000. The list of applications was opened in New York on May 12 and closed on the next day, being oversubscribed five times. The second 6 per cent loan was placed on the London market on November 14, and the list of subscriptions was closed on the following day. The applicants numbered 29,000, and the amount applied for reached more than £80,530,000, being over thirteen times the amount floated in London. The same loan raised on the New York market from November 14 to November 18 was also greatly oversubscribed. The first 4.5 per cent loan was three times the amount of each of the 6 per cent loans; but since the Europeans and Americans had come to recognize the real strength of Japan by her victory in the war, not only the subscriptions in England and America but applications from continental countries of Europe reached large figures. In London the list of subscriptions was opened on March 29 and closed on the same day. The applications in the United Kingdom amounted to £151,000,000, and those from the continental countries reached £11,940,000, totaling £162,940,000, or eleven times the amount required. In New York subscriptions were received on March 29 and 30, the amount subscribed for aggregating about $500,000,000, or seven times the amount of the loan placed on the market. The second 4.5 per cent loan was issued after Japan's great victories on land and sea. There was already strong prospect of peace, and Japanese bonds were steadily rising. For these reasons the subscriptions increased in spite of the fact that large amounts had already been borrowed abroad by Japan. The applications in London, New York and Germany were some ten times, four and a half times, and ten times the respective amounts placed on the markets in these centers. It was a noteworthy fact that in this issue Germany was made a market for Japanese loans. The applicants included all classes

of people, and consequently there was a large number of subscriptions of small amounts. This was particularly the case in America and Germany.

The loans thus raised on foreign markets poured in to the government for several months; and the net receipt of the government was the issue price minus the commission, which can be tabulated as follows:

NET RECEIPT FROM FOREIGN LOAN BONDS, 1904 AND 1905

Issues	Amount of issue		Issue price	Commission	Receipt
	In pounds sterling	In *yen*			
	£	*Yen*	*Yen*	*Yen*	*Yen*
First 6 per cent	10,000,000	97,630,000	91,284,050	3,417,050	86,834,171
Second 6 per cent	12,000,000	117,156,000	106,026,180	4,393,350	100,463,595
First 4½ per cent	30,000,000	292,890,000	263,601,000	9,518,925	251,158,987
Second 4½ per cent	30,000,000	292,890,000	263,601,000	9,518,925	251,137,817
Total	82,000,000	800,566,000	724,512,230	26,848,250	689,594,570

It will be seen from the above table that the foreign loans issued aggregated £82,000,000, or over 800,560,000 *yen* in nominal capital and over 724,510,000 *yen* in issue price. Of this sum, the commission allowed to bankers exceeded 26,840,000 *yen*. The net receipt of the government was over 689,590,000 *yen*.

The loans issued to finance the Russo-Japanese War consisted of domestic and foreign loans. The former included short-term exchequer bonds of over 473,060,000 *yen* and long-term emergency loans of over 310,390,000 *yen*, making a total exceeding 783,450,000 *yen*. The latter was composed of short-term 6 per cent sterling bonds of over 585,780,000 *yen*, totaling upward of 800,560,000 *yen*. The grand total reached over 1,584,020,000 *yen*. The receipts from these loans were over 729,130,000 *yen* in domestic loans, and were over 689,590,000 *yen* in foreign loans, the aggregate of the two items exceeding 1,418,730,000 *yen*. The particulars are as follows:

SUMMARY OF FOREIGN AND DOMESTIC LOANS, 1904–1906 [a]

Issues	Estimates	Amount actually issued	Receipts
Domestic loans	*Yen*	*Yen*	*Yen*
Exchequer bonds	480,000,000	473,061,325	434,885,638
Emergency loans	310,722,950	310,394,050	294,251,021
Total	790,722,950	783,455,375	729,136,659
Foreign loans			
6 per cent sterling bonds	214,786,000	214,786,000	187,297,766
4.5 per cent sterling bonds	585,780,000	585,780,000	502,296,804
Total	800,566,000	800,566,000	689,594,570
Grand total	1,591,288,950	1,584,021,375	1,418,731,229

[a] The above table does not include the payments forfeited, 17,213 *yen* for emergency loans and 305,669 *yen* for exchequer bonds, totaling 322,909 *yen*.

Comparing the results shown in the foregoing table with the original loan schemes, we find that the flotation of war loans was concluded with a large margin of issue capacity. The following table gives the margin of respective loan issues as compared with the figures determined and authorized by laws and ordinances relating thereunto:

MARGIN OF ISSUE CAPACITY OF FOREIGN AND DOMESTIC LOANS, 1903–1906 [a]

Amount authorized		Actual amount of issue		Margin of issue capacity
Imperial Ordinance No. 291, 1903	*Yen* 100,000,000	1st exchequer bond issue	*Yen* 100,000,000	*Yen* None
Statute No. 1, 1904	280,000,000	2d and 3d exchequer bond issues	176,357,350	6,012,650
		1st sterling loan	97,630,000	
Imperial Ordinance No. 228, 1904	120,000,000	2d sterling loan	120,000,000	None
Statute No. 12, 1905	455,000,000	3d and 4th exchequer bond issues	162,110,000	None
		3d sterling loan	292,890,000	
Imperial Ordinance No. 194, 1905	300,000,000	4th sterling loan	300,000,000	None
Statute No. 1, 1906	433,000,000	Emergency loans	310,394,050	122,605,950
Total	1,688,000,000	Total	1,559,381,400	128,618,600

[a] The above table is based on the *Report on the Russo-Japanese War Finances.*

The figures for emergency loans are corrected in the foregoing table so as to include the issue during and after June.

As regards the loans authorized by the Urgency Imperial Ordinance, it is impossible to give the balance between the estimated figures and the figures of actual issue, as the margin of issue capacity was not indicated; hence the estimates are given in the table. Of the actual amount of issue of the fifth exchequer bonds, 37,616,725 *yen* was intended to cover the balance between the nominal capital and the issue price of the bonds previously issued; so this amount was excluded from the statistics. Hence the total is different from that of the actual amount of issue in the preceding tables.

It will thus be seen that out of 1,688,000,000 *yen*, the authorized amount, more than 128,610,000 *yen* remained unissued. The total of the balance between the nominal capital and the issue price (not minimum issue price but actual issue price) of the loans previously issued formed also, as already mentioned, a part of the authorized amount in the general loan schemes. The following table shows these balances:

Issue	Nominal capital	Issue price	Balance
	Yen	*Yen*	*Yen*
Exchequer bonds	473,061,325	434,885,638	38,175,687
Emergency loans	310,394,050	294,251,021	16,143,029
1st and 2d sterling bonds	214,786,000	197,310,230	17,475,770
3d sterling bonds	292,890,000	263,601,000	29,289,000
Total	1,291,890,000	1,190,047,889	101,083,486
4th sterling bonds	292,890,000	263,601,000	....[a]

[a] The Imperial Ordinance No. 194, 1905, which authorized the issue of the fourth sterling loan, did not allow the making up of the balance.

The balance thus totaled 101,083,486 *yen*, of which 37,616,725 *yen* was raised as part of the fifth exchequer bond issue, and 63,466,761 *yen* remained as the margin of issue capacity. This amount, added to the figure representing the margin of issue capacity left over from the authorized amount of loans,[1] makes a total of 192,085,361 *yen* which was not issued. The comparison of the net receipt with more than 1,555,870,000

[1] *Ante*, p. 69.

yen of the amount demanded in the estimates shows that there was no need of raising 137,140,942 *yen* out of that amount.

War-Time Taxes

We have seen how Japan floated enormous loans in order to meet the expenses caused by the war; at the same time she increased several of the taxes and charges and opened the government monopoly of tobacco and salt. The taxes and charges were first increased by the enactment of the Special Extraordinary Tax Law (Law No. 3) in March, 1903, when the first program of war finance was formed; and on the same occasion two or three new taxes were created and the manufacture and monopoly of tobacco by the government was opened. In January of the following year, when the second budget of war finance was made, the Special Extraordinary Tax Law was revised. By this revision the taxes were further increased, more new taxes were created, and the government monopoly was further extended to salt. The government expected to obtain 62,200,000 *yen* in the fiscal year 1904–5 from the first increase of taxation and other sources, and 150,670,000 *yen* in 1905–6 from the first and second increase of taxes.

The people had been considerably burdened by the frequently increased number of new taxes owing to the maintenance and extension of national armament in the ten years following the Sino-Japanese War, but now they had to bear a far greater burden under these programs for financing a greater war. In view of these circumstances, the government took special care to lighten the local taxes. Thus, when the first increase of the taxes was decided upon the local public bodies were prohibited from levying supplementary taxes on the increased amounts in the land, business, and income taxes. In the second increase of taxes they were, besides, prohibited from surtaxing the increased amount of the mine-lot tax. The surtaxes on such important taxes as the land, business, and income taxes being important in themselves as local sources of revenue, special restrictions were placed on them with the

object of lightening them. Thus, the Hokkaido and the prefectural governments and certain public bodies in Hokkaido and Okinawa were permitted only to surtax land up to 50 per cent of the land tax, or 40 *sen* on an average on a *tan* (0.245 acre) of land. The maximums allowed to the other public bodies were 30 per cent on the land tax, or 40 *sen* on an average on a *tan* of land. In cases where both surtaxing the land tax and surtaxing by the *tan* were resorted to, the total of the two was not allowed to exceed 50 per cent of the land tax with the former bodies and 30 per cent of the same with the latter. With regard to the business and income taxes, the public bodies, except the Hokkaido and the prefectural governments, were prohibited from surtaxing them more than 30 per cent. In this way efforts were made to lessen the burden of local taxes in order to secure satisfactory results in the war-time taxation.

Direct taxes

In order to meet the exigencies of the war finance, the direct taxes, viz., taxes on land, business, income, mining, the patent-medicine trade, and shooting licenses, were raised and a succession tax was created as a permanent tax.

Land formerly had been taxed uniformly. Whether it was land for building houses in cities, provincial towns or villages, or whether it was other kinds of land, the rate had been in every case 2.5 per cent of the assessed value of the land. After the war with China, that is, from 1899 to 1903, a further 2.5 per cent was added in the case of building land in cities and 0.8 per cent in the case of other land. In the first increase of taxes in connection with the Russo-Japanese War, the rate was again increased by 1.8 to 5.5 per cent, and in the second increase by 1.2 to 12 per cent, so that the war-time rates of the land tax ranged between 3 and 17.5 per cent.

The value of building land, especially in cities, had risen to such an extent, in consequence of the economic development of the nation, that the legal price of land became merely nominal. Import duties on rice, hulled or unhulled, wheat, beans and other agricultural products had been

created or raised in the second financial program with a view to protecting farm land; but as the landowners are largely of the wealthier classes, they were found capable of bearing this extraordinary burden of the war-time taxation.

The business tax, which is levied on commerce and manufacture as the land tax is levied on agriculture, was created in Japan in 1897 as a source of national income after the war with China. The tax was levied on the capital of the business, the gross income from the same, the rent of the building in which the business is carried on, the number of employees, and other visible standards. According to the kinds of business, from .0005 to .0015 of the capital or of the gross income, from .02 to .06 of the rent, and 1 *yen* per employee, were imposed. These rates were raised 70 per cent in the first increase and 80 per cent in the second, so that the war tax became one and one-half times as much as the original duty. Since the nation was then making rapid progress in commerce and industry, the business tax proved a sure source of increased income to the Treasury.

The income tax was more or less increased in the revision of the Income Tax Law, in February, 1899, but was now raised to nearly the same extent as the business tax, on account of its capacity to bear more for the needs of the war with Russia. Formerly the incomes of juridical persons or corporations, designated Class 1, were taxed at the uniform rate of .025; the interest on public bonds and bonds issued by business companies, called Class 2, at the rate of .020; and personal incomes, called Class 3, above 300 *yen* a year, at the rate of from .010 to .055. The personal incomes were divided into twelve grades, the highest being above 100,000 *yen* a year, and the rate increased with the amount of the income. In the first increase these rates were uniformly raised 70 per cent except the second-class incomes, and in the second increase 80 per cent with all the classes. The juridical persons, according to their tax-bearing powers, were divided into (A) joint-stock companies and limited partnerships consisting of twenty-one or more shareholders or shareholders and partners;

and (B) which comprised all the partnerships consisting of family or other kindred members. The rate for the A division was uniformly raised 80 per cent, but the B division being more of the nature of an individual person, it was subdivided into eight grades between less than 5,000 *yen* and more than 100,000 *yen*, and the rates were increased in proportion to the size of income, so that the total was an increase of from 10 to 330 per cent. The personal incomes were graded into ten classes, and the rate was increased from 30 to 200 per cent. The tax on the interest of bonds was exempted from increase to further the cause of public loan for the war, since the interests on war bonds constituted a greater part of the revenue from this source.

The mining tax was formerly of two kinds: the tax levied on the value of the mineral obtained—the mining tax in the strict sense—at the rate of 1 per cent; and the mine-lot tax, imposed on mine lots under operation at the rate of 30 *sen* per 1,000 *tsubo* (1 *tsubo* = about 6 square feet). It was thought that to increase the former might hinder the development of the mining industry, and consequently the latter only was raised, and mine lots, which had hitherto been free, were newly taxed. In the first increase 10 *sen* was further taxed on each 1,000 *tsubo*; in the second increase another 10 *sen* was added, while the mine lots under prospecting, which had hitherto been untaxed, on the ground of encouraging the mining industry, were now taxed 20 *sen* per 1,000 *tsubo*. The places where alluvial gold was obtained had also been free of duty, but they now came to be taxed at the rate of 30 *sen* per *cho* (2.45 acres) of river bed or 1,000 *tsubo* of other land. The prospecting right and alluvial gold fields were subject to speculation, and immunity from taxation afforded little help in the development of mining. The new taxation, therefore, aimed at preventing this as well as at obtaining increased revenue for the Treasury. In the second increase of taxation a new Mining Industry Law was enacted, by which the tax on mine lots under operation was raised to 40 *sen*, or 10 *sen* more than before, while the mine lots under prospecting were newly

taxed 10 *sen*. The new law was carried into effect in July, 1905.

Patent medicines were formerly taxed at the uniform rate of 2 *yen* a year for every prescription. In the second increase of taxes, however, the rate was raised in proportion to the value of each patent medicine manufactured, in view of the varying capacity to bear taxes; and from 1 to 100 *yen* was charged on the thirteen grades of annual production between less than 300 *yen* and more than 100,000 *yen*. With regard to the shooting-license tax, the payers had formerly been divided into three grades: those who paid 100 *yen* or more as income tax, 500 *yen* or more as land tax, or 150 *yen* or more as business tax, or members of their families; those who paid 3 *yen* or more as income tax, 30 *yen* or more as land tax, or 20 *yen* or more as business tax, or members of their families; and all others. The first were taxed 20 *yen* a year, the second 10 *yen* and the third 2 *yen*. In the first and second increases they were all raised, the increases amounting to as much as or more than the original taxes.

The succession tax was created in the second increase of taxation by a special law, since it was intended as a permanent tax. Formerly the heir had only to pay a fee for the registration of any real estate or ships that might have come into his possession, but all inherited property was now taxed. An inheritor of large property comes into opulence without effort and by mere chance; consequently he is a fit subject for taxation. Putting aside the consideration of social policy, it was an excellent source of revenue when the need of war funds was so great.

The succession tax was levied in the following way: The value of the property inherited was taken as the standard of taxation, and the rate differed according to the difference between the succession to a house and the inheritance of property, or according to the relationship between predecessor and successor; and it increased in proportion to the value of the property inherited. In the case of succession to a house, the rate was light, inasmuch as the successor succeeded to the

duty of supporting the family as well as to the property, but that for inheritance by gift or bequest was heavy, since it entailed no responsibility. Even in the case of succession to a house, the rate differed according as the successor was a direct descendant of the predecessor, which was called the first kind, or as the successor was one nominated by the predecessor, chosen in conformity with the Civil Code, Article 182, or a direct superior member of the family of the predecessor or a husband who married into the family, these cases forming the second kind of succession, or was appointed in conformity to the Civil Code, Article 985, which was called the third kind. In the case of inheritance by gift or bequest the rate differed according to whether the successor was a direct descendant of the predecessor (first kind), the consort of the predecessor or a direct superior member of the family (second kind), or whether he or she belonged to none of these catagories (third kind). In either case a direct descendant was regarded as the nearest in relationship, and the farther the relation the higher was the rate of taxation.

The above were the direct taxes increased or created to answer the demand of war finance. The first increase was enforced in 1904 as far as the land, business, and income taxes were concerned; and the increases in the shooting-license and the mine-lot taxes were put into effect on April 1 in the same year. The second increases were carried out in 1905 for the land, business, income, and patent-medicine taxes. On July 1 of the same year, when the Mining Law came into effect, the tax on mine lots under prospecting was first enforced, while the rates for all the other taxes were enforced on January 1, 1905.

With the exception of the shooting-license tax, which was a small sum, the government counted on obtaining 34,330,000 *yen* by the first increase in the fiscal year 1904–5; 38,990,000 *yen* by the first collection and 35,520,000 *yen* by the second, a total of 74,510,000 *yen*, in 1905–6; 38,990,000 *yen* by the first collection and 36,180,000 *yen* by the second, a total of 75,170,000 *yen*, in 1906–7. The sums realized under these

estimates were 34,790,000 *yen* by the first increase in 1904–5; 39,850,000 *yen* by the first collection and 32,530,000 *yen* by the second, a total of 72,390,000 *yen*, in 1905–6; 41,380,000 *yen* by the first collection and 38,100,000 *yen* by the second, a total of 79,480,000 *yen*, in 1906–7. The details of this are set forth in Table B at the end of this chapter.[1]

Indirect taxes

To meet the financial needs of the war, taxes were increased on alcoholic drinks, sugar consumption, and soy, the customs tariff was raised, while government monopolies of tobacco and salt, as well as a consumption tax on petroleum and woven fabrics, were created. These taxes being borne by the consumers and therefore falling on the lower classes as well as others, an excessive rate of taxation would render the living of the poorer people very difficult and consequently might frustrate the very object of increasing the national revenue. Yet the exigencies of war were such that it was necessary to call upon even the poor classes to share the national burden to a certain extent.

The liquor duty formerly comprised the duty on *sake*, beer, spirits, and all other drinks containing spirits, and in Okinawa prefecture an export duty on intoxicating drinks as a special liquor duty. The *sake* brewing duty was divided into three classes according to the quantity of the alcohol contained; the greater the quantity the higher the rate. The duty on the first class was 15 *yen* per *koku* (39.7033 gallons), on the second class 16 *yen*, but the third class was taxed 75 *sen* per *koku* for every per cent of pure alcohol contained. In the first increase of taxes the rate on the first and second classes was raised by 50 *sen* each and that on the third by 2.5 *sen*; and in the second increase, the rate on the third class was further raised by 7.5 *sen* and that on the other classes by 1.50 *yen*. The liquor duty had frequently been raised after the war with China, but now it had to undergo another and a far greater increase in this way. Beer-brewing was first

[1] *Post*, p. 95.

taxed after the Boxer trouble (1901) at the rate of 7 *yen* per *koku*, and the rate was increased twice, each time 50 *sen* being added to the former rate. The rate on spirits and drinks containing spirits was raised in the same proportion with the *sake* brewing tax, inasmuch as it was a complementary duty to the liquor duty. The liquor export duty in Okinawa was levied only on liquors produced in that prefecture when they were exported to other localities; but the commodities taxed and the rate of duty being identical with those of the liquor duty at home, the increase was in the same proportion with the latter. Moreover, in the second increase the *sake* tax was revised, and in order to make clear the principle of taxing the alcohol contained, the second class was subdivided into three kinds, and was taxed at the rates of 18, 20, and 23 *yen*, respectively, instead of the old uniform rate of 16 *yen* per *koku*. The Okinawa spirit export duty was also revised on the same principle.

The sugar consumption excise was instituted for the same reason as the beer brewing duty, but in view of the fact that the middle and higher classes consume more sugar per capita than the lower classes—especially refined sugar—it was thought that there was plenty of room for increase in the sugar excise. Consequently a domestic excise was imposed on refined sugar (Classes 3 and 4) and an import duty on crude sugar (Classes 1 and 2). In the first increase, the rate on the third-class sugar, which had up to that time been 2.20 *yen* per 100 *kin* (1 *kin* equals one and one third pounds) was raised by 3.30 *yen*, and that on the fourth class, which had been 2.80 *yen*, was raised by 3.70 *yen*. The crude-sugar excise was raised for the six months up to the enforcement of the increased import tariff, the rate on the first class being 1 *yen* in addition to the old rate of 1 *yen* per 100 *kin*, and that on the second class being 3 *yen* in addition to the former rate, 1.60 *yen*. This increased rate on the second class was retained even after the six months mentioned above. In the second increase, the rate for the second class was further raised by 50 *sen* and the other classes by 1 *yen*.

Soy for sale was formerly taxed 2 *yen* per *koku*, while soy for household use was taxed 1 *yen* for the same quantity. But soy being a commodity of daily use by all classes, the rate on the former was raised only 50 *sen* and on the latter 25 *sen* in the first increase. Formerly, soy manufactured for household use by private individuals except the keepers of hotels and restaurants was untaxed, provided it did not exceed one *koku* in quantity. It was found, however, that private manufacturers were greater in number among the richer classes than among the poorer, with the result that while the richer people used untaxed soy the poorer people paid duty. Consequently, soy less than a *koku* manufactured for private use also came to be taxed, and the rate was 50 *yen* a *koku*.

Woolen fabrics and silk stuffs being luxuries of life for the Japanese and excellent articles for taxation, a new consumption tax was imposed on woven fabrics. In the first increase, therefore, a .15 ad valorem duty was imposed on woolen fabrics, and in the second increase 10 per cent was levied on all woven textiles other than woolen articles.

The import duty on petroleum was raised also on account of the war. As in the case of the sugar excise, a consumption tax was levied on domestic petroleum for the six months up to the enforcement of the new customs tariff, in order to prevent any sudden fluctuation of the market through anticipatory importation or the falling off of the customs income through the same reason afterward. The rate of the excise was 3.20 *sen* per gallon.

Additional import duties were raised upon such articles as were capable of adding to the revenue of the Treasury or necessary for counterbalancing the increased or newly created burdens of the taxpayers. In the first increase the following measures were taken: (1) with the object of increasing the national revenue, 10 per cent ad valorem was added to the former tax on silks (specified in Class 13, Import tariff rates appended to the Customs Schedule), 20 per cent ad valorem on clothing and accessories made of silk, partly or entirely (Class 3), 5 per cent ad valorem on tea, coffee, and the like

(Class 2), and 10 per cent ad valorem on petroleum (Class 10); (2) in order to compensate the increased taxation on liquor, the duty on Chinese spirits and refined *sake* was raised 20 per cent ad valorem on drinks containing over 50 per cent of pure alcohol, and on any spirits and medicinal preparations containing alcohol (Class 4), 3 *sen* per liter. To compensate the increase of sugar excise, the sugar import duty (Class 12) was raised by from 20 to 25 per cent ad valorem, and the duty on cakes and sugar preserves under the category of sweetmeats (Class 2) from 5 to 10 per cent ad valorem. To counterbalance the increase of the land tax, the duty on wheat flour, etc., under the category of eating and drinking stuffs (Class 2) was raised 5 per cent ad valorem, and to offset the rise in the price of tobacco through government monopoly the tariff on imported manufactured tobacco was raised 100 per cent ad valorem. In the second increase, the scope of import duties to be increased was extended, and the rates on all goods (except those to which the conventional tariff was to be applied or raw materials which were not produced in Japan) were raised. Thus, in order to counterbalance the newly created textile consumption tax, 20 per cent ad valorem was added to such clothing and accessories (Class 3) as contained gold, silver, or precious stones, or those made of platinum, gold, or silver, and 15 per cent ad valorem on other similar imports. On textiles other than silks (Class 12), 10 to 20 per cent ad valorem was added. In order to counterbalance the increased liquor duty, the rate on Chinese spirits and refined *sake* was raised 10 per cent, while the standard of taxation and rates on other alcoholic drinks, which had been fixed in the first increase according to the quantity of alcohol contained, were revised and the rates were increased by 5 *sen* per liter, and the rate on spirits and medicinal preparations containing alcohol was increased by 3 *sen* per liter. Against the increase of the land tax, a 10 per cent ad valorem duty was added on agricultural products among the eating and drinking stuffs, and 5 per cent ad valorem on cotton seeds among the grains and seeds (Class 7), and 10 per cent on other grains and seeds was imposed. A new duty of

10 per cent ad valorem was instituted on silk cocoons of all kinds, and of 15 per cent on rice, hulled and unhulled. With regard to other imported goods, the duties on raw material (of all classes), with the exception of those to which the conventional tariff applied or which were not produced in the country, were raised 5 per cent ad valorem. This new rate applied to dyestuffs, colors, and paints (Class 5); horn, ivory, tortoise-shell, etc. (Class 8); metals (Class 9); wax and oils other than petroleum (Class 10); raw materials specified in Class 16, etc. As to manufactured goods, except those coming under the conventional tariff, 5 per cent ad valorem was added on necessaries of life, 10 per cent on ordinary goods, and 10 per cent was added to or newly imposed on luxuries.

To find new sources of revenue for war expenditures, the government established the monopoly for the manufacture and sale of tobacco at the time of the first tax increase, and the monopoly of salt at the time of the second increase. The income from these monopolies is a business profit as well as a tax; yet in view of its being a method of imposing consumption duty *de facto*, we will dwell upon it further side by side with other indirect taxes.

On the conclusion of the Sino-Japanese War, the Japanese Government formulated a plan for the monopoly of the tobacco industry in the country as a part of the *post bellum* financial program. In January, 1898, it began to buy the tobacco leaves grown by cultivators at home or imported from abroad, and sold leaf-tobacco to the general customers until in 1903–4 it obtained over 14,890,000 *yen*, a sum about five times as large as that received from the tobacco duty previous to the monopolization. To meet the financial needs of the Russo-Japanese War, the monopoly was extended further to the manufacture of tobacco; on July 1, 1905, the monopoly of cigars and cigarettes was opened, while on April 1, 1906, fine-cut tobacco was also monopolized, so that the government undertook the manufacture and sale of all kinds of tobacco. Of the proceeds from the tobacco monopoly, the profit from the manufacture of tobacco alone went to the war

funds. In April, 1904, the Tobacco Monopoly Law was promulgated, and a temporary bureau was established for preparing for the manufacture of tobacco. The work of this bureau was to buy up the business of the tobacco manufacturers, as well as to make ready for the manufacture by the government. The initial expenses required by the monopoly work have already been mentioned among the war-time administrative expenses, so we shall now state the net incomes (handled as special account) from the government tobacco monopoly from 1904 to 1907.

	1904–1905	1905–1906	1906–1907
	Yen	*Yen*	*Yen*
Total receipts[a]	45,437,688	68,416,212	77,947,521
Total expenditures	17,975,681	34,814,154	45,374,337
Net proceeds	27,462,007	33,602,057	32,573,183

[a] Only a part of the above proceeds was appropriated to meet war expenses.

Salt was entirely free of duty after the abolition of the miscellaneous taxes in 1875, but when the taxes were first raised in the Russo-Japanese War the government tried to increase its revenue by creating a salt consumption duty, and then to replace it with salt monopoly after due preparations were completed. It introduced a bill for the same purpose in the Imperial Diet, but the proposal was rejected. When, however, the taxes were raised the second time under more pressing needs for increasing the Treasury revenue, the government introduced a bill for the monopolization of salt. The bill was passed and was carried into effect on June 1, 1905. The salt monopoly was intended for buying salt from the manufacturers or importing it from abroad, to sell to general customers at a profit. Its selling price was fixed at the compensation paid to the manufacturer plus 2.50 *yen* per *koku* or less, or 1.48 *yen* or less per 100 *kin*. Foreign salt and salt produced in Formosa being cheap, larger additions were made in order to bring up the standard selling price. These additions or balances between the buying and selling prices formed

the net profit for the state. Salt was graded into five classes by its quality and the place of production; and the official purchase price was subject to frequent fluctuations according to the state of the economic world, but the highest stated prices per *kin* were Class 1, from 1.43 to 1.81 *yen*; Class 2, from 1.30 to 1.68 *yen*; Class 3, from 1.18 to 1.56 *yen*; Class 4, from 1.07 to 1.45 *yen*; Class 5, from 0.97 to 1.35 *yen*. Therefore, the selling prices, which were the sums of the above figures and 1.48 *yen* added to each of them, became almost double the purchase prices. We have already stated the expenses entailed by the salt monopoly, so its receipt and net profits are tabulated here as follows:

	1905–1906	1906–1907
	Yen	*Yen*
Receipts from the salt monopoly [a]	13,987,304	24,067,344
Expenses	7,288,566	11,776,046
Net profits	6,698,738	12,291,299

[a] These figures have been worked out by a method of counting similar to that for the profit from the tobacco monopoly, and they do not agree with the previously given figures regarding the salt monopoly expenses or with those showing the receipts to be given later.

At the inauguration of the salt monopoly, by virtue of the Monopoly Law, the government commandeered the salt in the hands of the manufacturers. But the salt held by the sellers was taxed at the heavy prices. The price of tobacco and salt rose in consequence of the monopoly enforced, and the government fixed a special low price, besides the ordinary selling price, and applied it to exports of the same commodities; while the salt used in certain industries was sold at cost, thus encouraging exports and giving protection to industries.

The indirect taxes levied as war taxes have been described above. From these sources the government planned to obtain, according to estimates, over 23,700,000 *yen* in the fiscal year 1904–5 as the revenue of the first increase in taxation; over 57,180,000 *yen* in 1905–6, consisting of more than 33,220,000 *yen* as the first revenue and more than 23,960,000 *yen* as the second revenue (not including the consumption

tax on textiles other than woolens); and over 70,580,000 *yen* in 1906–7, consisting of more than 34,290,000 *yen* as the first revenue and more than 36,290,000 *yen* as the second revenue (not including the consumption tax on textiles other than woolens). The actual income from these taxes amounted to over 21,150,000 *yen* in the fiscal year 1904–5, over 60,030,000 *yen* in 1905–6, and over 80,710,000 *yen* in 1906–7. The particulars are set forth in Table C at the end of this chapter.[1]

The consumption tax on textiles other than woolens, which was created in the second increase of taxation, is not included in the foregoing tabulation, because this tax was collected in the form of stamps and therefore was included in stamp revenues; also that part of the consumption tax on sugar which was collected in stamps is excluded. The indirect taxes in the first increase of taxation, except the customs duties, were enforced in April, 1904, while the customs duties came into force on October of the same year. Those in the second increase of taxation were enforced on January 1, 1905, excepting the customs duties, which came into force on July 1, the same year, and the consumption tax on textiles was enforced on February 1.

Communication taxes and fees[2]

Communication taxes, exchange duties, registration duties, and stamp duties were among those which were increased for war purposes; and transit duties, imposed on the passengers on trains, tramcars, and steamers, were created in addition. Stamp duties on documents respecting civil cases and commercial litigation were also increased, whilst stamp duties were newly assessed on the documents regarding administrative litigation.

The rate of .0003 of the amount of every transaction in national and local bonds, and .0006 of the amount of every transaction in other securities and merchandise, had hitherto

[1] *Post*, pp. 96–7.

[2] The taxes referred to under this brief title include taxes on certain acts, such as stock exchange transactions, etc., as well as communication taxes strictly so called. There is no concise word in English to cover all the cases.

been levied as exchange duties. At the first increase of taxation the former was increased by .0002 and the latter by .0003; at the second increase of taxation the latter was again increased by another .0003. Thus the exchange duties became almost double the original rates through the war. The comparatively lower rates of taxation on the national and local bonds were intended to enhance their popularity.

The registration duties were first levied, in April, 1896, in order to meet the increased expenditure after the Sino-Japanese War. As they were once increased in 1899, they could not bear a further general increase. In consequence, the duties were increased on such items of registration as could bear an increase and promised to be a fair source of fresh revenue. For this purpose the registration respecting such important items as real estate, shipping, mining, etc., and the registration of juridical persons were selected. In the first increase of taxation, the levy on the registration of real estate and shipping (Registration Duty Law, Clauses 2 and 3) was increased by from .0002 to .0020, while its original rate ranged between .0001 and .0040. This increased rate applied to the acquisition of property (1) by virtue of legal succession to a house; (2) through other ways of succession to a house or inheritance of possession; (3) through will, bequest, or channels without compensation; (4) by reasons other than the three preceding ones; (5) by the retention of property (No. 5) which was already in one's possession; and (6) the creation of the permanent estate of a peer (No. 11). The registration tax on all juridical persons (Clause 6) was increased by .0001 of capital on juridical persons organized for profits, while the former rate had been .0001 to .0004; by from 50 *sen* to 5 *yen* per item of registration, over and above 1 to 10 *yen* of the original charge; and by 20 *sen* to 2 *yen* per item of registration for juridical persons not intended for money-making, the previous rate having been between 50 *sen* and 5 *yen*. Every registration of the creation, acquisition, etc., of trade names (Clause 6, II) had hitherto been assessed 50 *yen*, but now it was increased by 20 *sen* to 2 *yen*. For the registration of

mining (Clause 14), 30, 75, or 150 *yen* per item had hitherto been levied on prospecting (No.1), on the increase in prospecting lots, or increase or decrease in mining fields (No. 4), on the purchase or transfer of prospecting or mining rights (No. 5), on mining (No. 2), and on the increase in prospecting lots or the revision regarding increase or decrease in mining fields (No. 3). But it was increased by 10, 25, or 50 *yen*, according to the case.

In the second extraordinary special taxation, the registration duties were revised in consequence of the establishment of the succession duties and the amendments of the mining law. Through the imposition of succession duties, the acquisition by inheritance of property in real estate or shipping was specially taxed. It became necessary, therefore, to decrease or abolish the registration duties on it. Thus the duties on the acquisition of property in real estate by virtue of succession, which had been from .007 to .015, were now lessened to .005 uniformly (Nos. 1 and 2). Those, also, on the acquisition of property in shipping by virtue of succession were lessened from .006 to .003 uniformly (Nos. 1 and 2), while the first increased duties on them were subsequently abolished At the same time, however, in order to prevent the evasion of the succession duties and also to increase the revenue, the duties on the acquisition of property in real estate or shipping other than by succession (Nos. 3 and 4), with or without compensation, were increased by from .005 to .010 in the second increase of taxation. A thorough revision was effected in the duties on mining in accordance with the amendments in the mining law and the number of dutiable items for registration was enlarged, besides increasing succession rates in accordance with the institution of the succession duties. The main registration duties on the transfer of prospecting and mining rights by virtue of succession were lessened, while the first increased duties on it were abolished, but the main duties on the registration of a few items were heavily increased. The establishment of prospecting rights (No. 1), the increase in mining fields or the registration of

increase or decrease of the same (No. 5, 11), and the transfer of mining rights other than by succession (No. 6,11) were taxed at the rate of 75 *yen* for the main registration duties and 25 *yen* for the increased duties; and the new registration of mining rights (No. 4,1) was taxed at the rate of 150 *yen* for the main duties and 50 *yen* for the increased duties, all as before the revision. But the main duties on the increase in prospecting lots or the registration of increase or decrease in the same were increased from 30 *yen* (No. 3) to 35 *yen*; the main duties on the transfer of prospecting rights other than by succession were lessened from 75 *yen* (No. 3,11) to 35 *yen*; and the increased duties on the former were left at 10 *yen*, as before the revision, while those on the latter were lessened from 25 *yen* (No. 5) to 10 *yen* (No. 3,11). In this connection, however, it must be remembered that the revision of the registration duties regarding mining was effected for the purpose of equalizing the miners' burden, not for the purpose of increasing the revenue. In short, in the second increase in the registration duties, the levy was lessened on some items and increased only on the acquisition of property in real estate and shipping other than by virtue of succession, the balance being a trifling gain for the government.

At the first increase of taxation, the stamp duties saw no increase; but at the second increase, some of the most important of them were increased. That is, the duties on the deeds and account books mentioned in Article IV of the Stamp Duty Law were increased. Heretofore, the stamp duties on deeds and account books, except letters of attorney, chit books, and promissory notes, had been 2 *sen* per deed or per book intended to be used for one year, but they were increased by 1 *sen*. The duties on letters of attorney became 2 *sen* instead of 1 *sen*, as before; those on the chit books for one year were increased from 20 *sen* to 25 *sen*. Previously, the duty on a promissory note had been only 2 *sen*, although this instrument had been frequently used for loan purposes, whereas the duty on a bond of debt had been .0005 of the amount, according to Article II of the Stamp Duty Law, bonds below 50 *yen* being exempted.

The charges on these two items, therefore, had been by no means equal, but it was considered improper to increase the duties on promissory notes, which were negotiable instruments, regarding them as the same as ordinary bonds of debt. Hence, the ascending rates of increase, dividing them into eight classes, from 1 *sen* to 4 *yen* and 98 *sen*, according to the amount of money, for promissory notes from below 1,000 *yen* to above 100,000 *yen*. Formerly, checks had been free from stamp duties, but 1 *sen* was levied upon each.

As regards transit duties, fares tend to decrease in proportion to the development of the means of communication. Hence, a definite tax levied upon passengers is a good source of revenue with little trouble attending the collection. At the second increase of taxation, therefore, transit duties were first imposed upon passengers on trains, tramcars, and steamers, according to the distance to be covered by them as well as according to the class of the compartments in which they traveled.

"Fees" connected with civil cases and commercial litigation had not been increased since 1890, but at the first increase of taxation their rates were raised. In civil cases, they were charged per petition or application, according to the classification of first instance, appeal to superior court, demand for revision, and application for order for payment. In addition to the regular fees, applications regarding property had to have additional stamps affixed in proportion to the value of the property at issue; those having no relation to property had also to have stamps; and other applications and petitions were required to have a certain amount of stamps affixed, according to their kind, provided the question at issue were 20 *yen* or more in value. In commercial bankruptcy, additional stamps were required to be affixed in proportion to the net liability of the legal person involved. Besides the regular fees when the bankruptcy procedure was commenced or recommenced, petitions or applications for bankruptcy also needed more stamps to be affixed, according to their kinds. Formerly, in administrative litigation no fees had been charged;

but at the second increase of taxation various amounts of stamps were required to be affixed to the documents relating to the litigation, in order to increase revenue and keep balance with other "fees."

Apart from the extraordinary special taxation, there were other communication taxes and fees that were increased. Previously, the transfer of landed property, duly registered, had been entered in the land register upon the notification of the registry office, whereas the transfer of landed property, not registered, had been entered in the land register without the notification of the registry office. This meant that in the latter case the transferee had been able to enter his ownership in the land register only by the registration of his retention of landed property, whereas the transferer should have first made the registration of his retention of landed property and then the transferee should have made the registration of the transfer of ownership. Thus, the registration of the transfer of ownership had been omitted in this case and the government had been unable to charge the registration tax. Therefore, at the first extraordinary special taxation, the detailed regulations for the enforcement of the land register law were revised, and it was provided that the transfer of landed property should be entered in the land register upon the notification of the registry office, whether the ownership had been registered or not. The land register law was also revised at the first increase of taxation so as to increase the fees charged for the grant of the verified copy of the land register from 2 *sen* to 5 *sen* per item of registration. This was to keep balance with other kinds of fees and increase the Treasury income. As a result of the revision in the mining law at the second increase of taxation, the fees in regard to mining were also increased.

The first increase of these communication taxes and fees came into force on April 1, 1904, their second increase on January 1, 1905, as a rule. But of the latter, the registration taxes regarding real estate and shipping were enforced on April 1, 1905, when the succession duties came to be levied,

while the registration taxes and fees regarding mining were enforced on July 1 of the same year, when the revised mining law came into effect. Their estimated revenue was some 3,210,000 *yen* for the first increase of taxation in the fiscal year of 1904–5; some 3,150,000 *yen* for the first collection, and some 5,710,000 *yen* for the second collection, in 1905–6, making a total of some 8,870,000 *yen* for the second increase of taxation; and in 1906–7, some 7,920,000 *yen*, of which some 3,150,000 *yen* was for the first collection and some 4,760,000 *yen* for the second collection. Their actual revenue, inclusive of other taxes collected in the form of stamps, according to the *Report on the Extraordinary Military Expenditures*, was some 3,230,000 *yen* for the first increase of taxation in the fiscal year of 1904–5; in 1905–6, some 21,600,000 *yen*, of which some 3,110,000 *yen* was from the first collection and some 18,540,000 *yen* from the second collection; and in 1906–7, some 24,630,000 *yen*, of which some 4,190,000 *yen* was from the first collection and some 20,440,000 *yen* from the second collection. The details are given in Tables D(1), D(2), and D(3) at the end of this chapter.[1]

The above is an outline of the increased taxation to meet the costs of the Russo-Japanese War. Now, the total revenue for 1904–5 was some 59,170,000 *yen* in the first increase of taxation, a decrease of some 3,020,000 *yen* from the estimates; that for 1905–6 was some 77,720,000 *yen* from the first collection and some 76,360,000 *yen* from the second collection, totaling some 154,090,000 *yen*, an increase of some 3,420,000 *yen* over the estimates; and that for 1906–7 was some 82,840,000 *yen* from the first collection and some 101,990,000 *yen* from the second collection, totaling some 184,830,000 *yen*, an increase of some 22,330,000 *yen* over the estimates. The details are given in Table E at the end of this chapter.[2]

It is to be noted, further, that the increased levy of the direct taxes over the estimates was some 34,790,000 *yen* for 1904–5, some 72,390,000 *yen* for 1905–6, and some 79,480,000 *yen* for 1906–7; that for the indirect taxes was some 21,150,000

[1] *Post*, pp. 98, 99, 100. [2] *Post*, p. 101.

yen for 1904–5, some 60,030,000 *yen* for 1905–6, and some 80,710,000 *yen* for 1906–7; and that for the communication taxes and stamp revenue was some 3,230,000 *yen* for 1904–5, some 21,660,000 *yen* for 1905–6, and some 24,630,000 *yen* for 1906–7. In a word, every fiscal year witnessed an increase in the revenue of all taxes; but the revenue of the indirect taxes increased most rapidly, so much so, indeed, that in 1906–7 it exceeded the revenue of the direct taxes, although it stood far below the latter in 1904–5.

The Special Account Funds, the Annual Account, Surplus, etc.

As mentioned above, various funds belonging to the special account funds, the war-fund contributions, the miscellaneous revenue, and the annual account surplus (which includes the reserve funds), in addition to the revenue from national bonds and taxes, were adopted in the budget as sources of revenue for war expenditures. Besides these, the sale of government property, transportation earnings, and the special revenues were also included in the sources of revenue for the war costs. The actual revenue from those sources, except the annual account surplus, amounted to some 124,300,000 *yen* against the estimated revenue of 69,250,000 *yen*, including the special account funds, war-fund contributions, and miscellaneous revenue. The details are tabulated at the top of page 92.

Some 7,790,000 *yen* of the annual account surplus was apportioned in the budget to the war-time military expenses, and some 140,580,000 *yen* to the war-time administrative expenses. The total was 148,381,850 *yen*, but the annual account surplus considerably increased later.

The surplus of the annual accounts occupied an important place, therefore, next to the increase of taxation, among the sources of revenue for the war funds. In order to increase this surplus, drastic retrenchments were effected in the ordinary expenditures of 1904–5 and 1905–6, while at the same time not only were new enterprises put off as much as possible to avoid expense, but rigid economy or postponement was

REVENUE [a]

	Estimated	Actual	Increase
Special account funds:			
Funds for maintenance of warships and torpedo boats	*Yen* 32,407,894	*Yen* 38,719,871	*Yen* 6,311,977
Distress relief funds	12,310,000	12,310,000	....
Education funds	10,540,000	10,540,000	....
Forestry funds	4,000,000	4,000,000	....
Miscellaneous	8,000,000	8,000,000	....
Total	67,257,894	73,569,871	6,311,977
War-funds contributions	1,500,000	2,331,176	831,176
Sales of Government property	....	18,875,115	18,875,115
Transportation earnings	....	9,908,784	9,908,784
Special revenues	....	3,516,325	3,516,325
Miscellaneous revenue	500,000	16,107,521	15,607,521
Grand total	69,257,894	124,308,792	55,050,898

[a] The surplus of the special account funds over the estimated amount was included in the funds for maintenance of warships and torpedo boats, thus passing the same amount of annual account surplus to the special account of the extraordinary military expenditures. The advance to the special account of the military expenditures from the general account was reduced by the same amount at the same time.

adopted also regarding prearranged expenditures. In the ordinary expenditure, redemption of domestic bonds was postponed, together with no small curtailment of the communication and other expenses. In the extraordinary expenditure, rigid economy or postponement was effected with regard to railway construction and improvement expenses, public works expenses, conservancy expenses, Hokkaido colonization expenses, subsidy to the expenditure for Formosa, construction expenses for schools, prisons, etc., and various other items of expenditure. As a result, on the other hand, of the fact that the Army and Navy were mobilized through the war and their ordinary expenditures were transferred to the war-time expenditures, there remained a large surplus from the Army and Navy estimates of ordinary expenditure; there was also no small surplus from the expenses for the steamship-line expansion and navigation encouragement. The details are as shown in the following table.

It will be seen that the amounts economized or postponed out of the estimated expenditures totaled some 126,580,000

EXPENDITURES [a]

	1904–5	1905–6	Total
Ordinary Expenditure:	*Yen*	*Yen*	*Yen*
Army and Navy expenses	21,334,296	32,758,064	54,092,360
Redemption of national loans	8,500,000	6,335,400	14,835,400
Communication expenses	....	1,603,938	1,603,938
General education expenses	449,244	500,000	949,244
Other departments' ordinary expenses	175,134	....	175,134
Total	30,508,675	41,197,402	71,706,077
Extraordinary Expenditure:			
Railway construction and improvement expenses	9,175,207	12,955,105	22,130,312
Expenses for the steamship-line expansion and navigation encouragement	5,062,987	4,999,999	10,062,986
Public works expenses	3,115,654	2,072,093	5,187,747
Conservancy expenses	110,039	1,594,937	1,704,976
Expenses for foundation of schools	531,809	....	531,809
Expenses for construction of schools, prisons, etc.	....	1,969,887	1,969,887
Hokkaido colonization expenses	873,000	1,602,852	2,475,852
Subsidies to expenditure for Formosa	296,115	3,500,000	3,796,115
Construction and repair expenses for various departments	628,994	1,309,968	1,938,962
Treasury reserves	....	2,200,000	2,200,000
Other departments' extraordinary expenses	618,908	....	618,908
Total	20,412,715	32,204,841	52,617,556
Other expenditure	....	2,258,211	2,258,211
Grand total	50,921,390	75,660,458	126,581,848

[a] In the public works expenses, the subsidies to local self-governing bodies for sand-stopping and the engineering works are included; and in the railway construction and improvement expenses, the expenses for the construction of the Hokkaido railways are included. Various expenses belonging to the ordinary and extraordinary expenditures are included under "other expenditure." The surplus from the Army and Navy estimates for 1904–5 covers only that up to the end of 1904, the surplus for the rest of the fiscal year, that is, for the three months ending in March, 1905, being estimated at 8,997,599 *yen*.

yen, some 50,920,000 *yen* in 1904–5 and some 75,660,000 *yen* in 1905–6. The figure would swell to more than 135,570,000 *yen* if the surplus of the Army and Navy expenses for the remaining three months of the fiscal year 1904–5 were added. Thus a part of the war funds was raised by the retrenchments of expenditure on the one hand and by the increase in the revenue on the other.

TABLE A.—ISSUES OF FOREIGN LOAN BONDS, 1904 AND 1905

Issue	Date	Amount	Price	Net receipt of government	Commission to bankers	Interest rate	Security	Term of redemption	Denomination
	1904	£	£ s.	£ s.	£ s.	*Per cent*			
First 6 per cent.....	May	10,000,000	93 10	90	3 10	6	Customs revenue	7 yrs.	£100 and £200
Second 6 per cent...	Nov.	12,000,000	90 10	86 10	3 15	6	Customs revenue	7 yrs.	£100 and £200
	1905								
Third 6 per cent.....	Mar.	30,000,000	90	86 15	3 5	4½	Profits tobacco monopoly	20 yrs.	£100, £200 and £500
Second 4½ per cent...	July	30,000,000	90	86 15	3 5	4½	Profits tobacco monopoly	20 yrs.	£20, £100 and £200

TABLE B.—DIFFERENCE BETWEEN ESTIMATES AND RECEIPTS FROM TAXES, 1904–1907 [a]

Year and kind of tax	Amount estimated			Amount realized			Difference
	First increase	Second increase	Total	First increase	Second increase	Total	
1904–5	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Land	23,936,213	....	23,936,213	23,893,145	....	23,893,145	— 43,068
Income	5,287,315	....	5,287,315	5,660,129	....	5,660,129	+ 372,814
Business	5,036,199	....	5,036,199	5,154,609	....	5,154,609	+ 118,410
Mining	79,115	....	79,115	86,484	....	86,484	+ 7,369
Patent medicine	....	....	....	....	....	....	....
Succession	....	....	....	....	....	....	....
Total	34,338,842	....	34,338,842	34,794,367	....	34,794,367	+ 455,525
1905–6							
Land	28,549,736	18,640,678	47,190,414	27,882,302	18,366,899	46,249,201	— 941,213
Income	5,266,641	5,286,461	10,553,103	6,615,581	6,794,236	13,409,817	+2,856,714
Business	5,083,016	5,809,007	10,892,023	5,259,834	6,013,983	11,273,817	+ 281,794
Mining	91,276	1,389,586	1,408,862	97,013	658,744	755,756	— 725,106
Patent medicine	....	89,279	89,279	....	74,655	74,655	— 14,624
Succession	....	4,309,596	4,309,596	....	629,684	629,684	—3,679,912
Total	38,990,669	35,524,608	74,515,277	39,854,730	32,538,201	72,392,929	—2,122,347
1906–7							
Land	28,549,736	21,700,372	50,250,108	28,278,262	21,624,720	49,920,982	— 329,126
Income	5,266,641	5,286,462	10,553,103	7,471,974	7,975,176	15,447,150	+4,894,047
Business	5,083,016	5,809,007	10,892,023	5,538,477	6,328,799	11,867,276	+ 975,253
Mining	91,276	876,667	967,943	99,791	613,201	712,991	— 254,952
Patent medicine	....	89,279	89,279	....	80,868	80,868	— 8,411
Succession	....	2,426,434	2,426,434	....	1,460,656	1,460,656	— 965,778
Total	38,990,669	36,188,221	75,178,890	41,388,504	38,101,420	79,489,923	+4,311,033

[a] The figures relating to the shooting license duty will be found later among the receipts from stamps.

TABLE C.—DIFFERENCE BETWEEN ESTIMATES AND RECEIPTS FROM INDIRECT TAXES, FISCAL YEARS 1904–1907

Date and kind of tax	Amount estimated			Amount received			Difference
	First estimate	Second estimate	Total	First income	Second income	Total [a]	
1904–5	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Tax on *sake*	183,882	....	183,882	182,205	....	182,205	— 1,677
Consumption tax on sugar	8,212,382	....	8,212,382	1,936,763	....	1,936,763	— 6,275,619
Tax on soy	1,138,952	....	1,138,952	1,383,811	....	1,383,811	— 244,859
Consumption tax on woolens	2,138,661	....	2,138,661	4,423,766	....	4,423,766	+ 2,285,105
Consumption tax on petroleum	1,238,599	....	1,238,599	1,882,983	....	1,882,983	+ 644,384
Profit from tobacco monopoly	8,466,285	....	8,466,285	8,929,793	....	8,929,793	+ 463,508
Customs receipts	2,330,633	....	2,330,633	2,413,999	....	2,413,999	+ 83,366
Total	23,709,394	....	23,709,394	21,153,320	....	21,153,320	— 2,556,074

1905–6							
Tax on *sake*	1,978,313	2,632,660	4,610,973	1,707,168	4,773,977	6,481,145	+ 1,870,172
Consumption tax on sugar	7,376,595	2,400,104	9,776,699	5,402,551	1,303,581	6,706,131	− 3,070,568
Tax on soy	1,632,012	....	1,632,012	1,716,753	....	1,716,753	+ 84,741
Consumption tax on textiles	2,183,602	....	2,183,602	5,261,869	58,030	5,319,899	+ 3,136,297
Profit from tobacco monopoly	14,440,787	....	14,440,787	15,157,888	....	15,157,888	+ 717,101
Revenue from salt monopoly	....	16,239,667	16,239,667	....	11,998,012	11,998,012	− 4,241,655
Tax on salt	....	....	....	....	481,359	481,359	+ 481,359
Customs receipts	5,610,368	2,687,626	8,297,994	5,502,740	6,671,644	12,174,384	+ 3,876,390
Total	33,221,677	23,960,057	57,181,734	34,748,969	25,286,303	60,035,571	+ 2,853,837
1906–7							
Tax on *sake*	1,978,313	2,837,067	4,815,380	2,102,841	6,173,423	8,276,264	+ 3,460,884
Consumption tax on sugar	7,376,595	2,400,104	9,776,699	6,926,266	3,071,085	9,997,351	+ 220,652
Tax on soy	1,632,012	....	1,632,012	1,717,959	....	1,717,959	+ 85,947
Consumption tax on woolens	3,260,333	....	3,260,333	5,036,716	....	5,036,716	+ 1,776,383
Profit from tobacco monopoly	14,440,787	....	14,440,787	14,679,794	....	14,679,794	+ 239,007
Revenue from salt monopoly	....	26,274,831	26,274,831	....	23,227,961	23,227,961	− 3,046,870
Customs receipts	5,610,368	4,778,001	10,388,369	6,796,613	10,985,100	17,781,713	+ 7,393, 44
Total	34,298,408	36,290,003	70,588,411	37,260,189	43,457,569	80,717,758	+10,129,347

[a] The above figures are based on the *Report on the Extraordinary Military Expenditures*, issued by the Finance Department.

TABLE D(1).—REVENUE FOR THE FISCAL YEAR 1904–1905

Kind of tax	Estimated			Actual			Difference
	First collection	Second collection	Total	First collection	Second collection	Total	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Exchange duties	532,846	....	532,846	232,682	....	232,682	—300,164
Other duties and taxes:							
Registration duties	1,654,814	....	1,654,814				
Registration duties not included in the extraordinary special taxation	352,463	....	352,463				
Total	2,007,277	....	2,007,277				
Fees:							
Stamp duties on civil cases	547,098	....	547,098				
Stamp duties on commercial litigation	13,277	....	13,277	2,977,767[a]	....	2,977,767	—643,030
Fees for verified copies of land register	119,014	....	119,014				
Total	679,389	....	679,389				
Other duties:							
License-fees for shooting	123,782	....	123,782				
Part of sugar consumption taxes	810,349	....	810,349				
Total	934,131	....	934,131				
Grand total	4,153,643	....	4,153,643	3,210,449	....	3,210,449	—943,194

[a] Stamp revenue.

TABLE D(2).—REVENUE FOR THE FISCAL YEAR 1905–1906

Kind of tax	Estimated			Actual			Difference
	First collection	Second collection	Total	First collection	Second collection	Total	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Exchange duties	471,903	432,566	904,469	560,276	560,272	1,120,548	+ 216,079
Transit duties	....	3,188,180	3,188,180	....	2,211,869	2,211,869	− 976,311
Other duties and taxes:							
Registration duties	1,654,814	699,174	2,353,988				
Registration duties not included in the extraordinary special taxation	352,463	....	352,463				
Stamp duties	....	1,181,466	1,181,466				
Total	2,007,277	1,880,640	3,887,917				
Fees:							
Stamp duties on civil cases	547,098	....	547,098				
Stamp duties on commercial litigation	13,277	....	13,277				
Fees for verified copies of land register	119,014	....	119,014	2,558,030[a]	15,772,909	18,330,939	+3,449,576
Stamp duties on administrative litigation	....	5,058	5,058				
Fees with regard to mining	....	212,808	212,808				
Total	679,389	217,866	897,225				
Other duties:							
License-fees for shooting	123,782	292,771	426,553				
Part of sugar consumption taxes	1,047,527	325,249	1,372,776				
Consumption taxes on textiles other than woolen fabrics	....	8,306,862	8,306,862				
Total	1,171,309	8,924,882	10,096,191				
Grand total	4,329,878	14,644,134	18,974,012	3,118,306	18,545,050	21,663,356	+2,689,344

[a] Stamp revenue.

TABLE D(3).—REVENUE FOR THE FISCAL YEAR 1906–1907 [a]

Kind of tax	Estimated			Actual			Difference
	First collection	Second collection	Total	First collection	Second collection	Total	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Exchange duties	471,903	471,891	943,794	1,169,958	1,169,958	2,339,915	+ 1,396,121
Transit duties	....	2,120,992	2,120,992	....	2,463,900	2,463,900	+ 342,908
Other duties and taxes:							
Registration duties	1,654,814	699,174	2,353,988				
Registration duties not included in the extraordinary special taxation	352,463	....	352,463				
Stamp duties	....	1,181,466	1,181,466				
Total	2,007,277	1,880,640	3,887,917				
Fees:							
Stamp duties on commercial litigation	13,277	....	13,277				
Stamp duties on civil cases	547,098	....	547,098				
Fees for verified copies of land register	119,014	....	119,014	3,021,364 [b]	16,806,573	19,827,937	+ 6,153,617
Stamp duties on administrative litigation	....	5,058	5,058				
Fees with regard to mining	....	283,744	283,744				
Total	679,387	288,802	968,191				
Other duties:							
Shooting-license fees	123,782	292,771	426,553				
Part of sugar consumption taxes	1,047,527	325,249	1,372,776				
Consumption taxes on textiles other than woolen fabrics	....	7,028,883	7,028,883				
Total	1,171,309	7,646,903	8,818,212				
Grand total	4,329,878	12,409,228	16,739,106	4,191,322	20,440,431	24,631,752	+ 7,892,646

[a] This table is compiled from the *Report on the Extraordinary Military Expenditures*, and the details of the estimated revenue are compiled from the *Report on the Finances of the Russo-Japanese War.*

[b] Stamp revenue.

TABLE E.—INCREASED REVENUE, 1904–1907 [a]

Year and kind of tax	Estimated increase			Actual increase			Difference
	First collection	Second collection	Total	First collection	Second collection	Total	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1904–5							
Direct taxes	34,338,842	....	34,338,842	34,794,367	....	34,794,367	+ 455,525
Indirect taxes	23,709,394	....	23,709,394	21,153,320	....	21,512,320	— 2,556,074
Communication taxes and stamp revenue	4,153,643	....	4,153,643	3,230,449	....	3,230,449	— 923,194
Total	62,201,879	....	62,201,879	59,178,138	....	59,178,138	— 3,023,741
1905–6							
Direct taxes	38,990,669	35,524,608	74,515,277	39,854,730	32,538,201	72,392,929	— 2,122,347
Indirect taxes	33,221,677	23,960,057	57,181,734	34,749,969	25,286,603	60,035,571	+ 2,853,837
Communication taxes and stamp revenue	4,329,878	14,644,134	18,974,012	3,118,306	18,545,050	21,663,356	+ 2,689,344
Total	76,542,224	74,128,799	150,671,023	77,722,004	76,369,855	154,091,859	+ 3,420,836
1906–7							
Direct taxes	38,990,669	36,188,221	75,178,890	41,388,504	38,101,420	79,489,923	+ 4,311,033
Indirect taxes	34,298,408	36,290,003	70,588,411	37,260,189	43,457,569	80,717,758	+10,129,347
Communication taxes and stamp revenue	4,329,878	12,409,228	16,739,106	4,191,322	20,440,431	24,631,752	+ 7,892,646
Total	77,618,955	84,887,452	162,506,407	82,840,014	101,999,420	184,839,433	+22,333,026

[a] The second increase of taxation collected in the fiscal year 1904–5 was 1,390,208 *yen*, but the figure is excluded from the above table.

CHAPTER IV

MEANS ADOPTED TO FILL TEMPORARY DEFICITS IN THE FUNDS FOR WAR EXPENDITURES

We have dealt with the war expenditures and their resources, separately and statically, in the two preceding chapters. If we now consider the dynamic relation between these, we shall find that deficits in the revenue of war funds from the sources selected were neither infrequent nor inconsiderable, and that occasionally there was a considerable amount of excess in the disbursement of war expenditures demanded by the exigencies of the war. To supply temporary deficits in the funds for war expenditures, items of revenues to the Treasury other than war funds were temporarily appropriated, exchequer bonds were issued, temporary loans were made from the Bank of Japan, and war tickets payable at sight were issued, all limited to such an extent as to be redeemable with the revenue of war funds. As already stated, the war expenditures consisted of extraordinary military expenses and extraordinary affairs expenses. The latter were treated as part of the ordinary expenditure in the general accounts and the amount was also comparatively small; therefore this item is left out for our present purpose. Of the extraordinary military expenses, we shall consider those below the dynamic condition of revenue and expenditure and the various means adopted to fill the temporary gaps between the two, these forming the main part of the war costs.

As is evident from what has already been stated in previous chapters, the funds raised to meet the extraordinary military expenses were composed of receipts from loans, funds transferred from the general accounts consisting almost entirely of revenues from the tax increase, etc., and funds from the special accounts, contributions to war funds, and others. To show the general results of revenues from these sources, we give below the receipts for every six months:

REVENUE TO MEET EXTRAORDINARY MILITARY EXPENSES

Period	Receipts from loans	Funds transferred from general accounts	Funds from special accounts	Others	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
Oct.–Dec., 1903	....	....	....	....	....
Jan.–June, 1904	78,714,472	....	15,000,000	1,477,581	95,192,052
July–Dec., 1904	180,552,418	31,028,846	18,742,106	781,163	231,104,535
Jan.–June, 1905	474,746,894	32,401,283	17,000,000	2,126,242	526,274,420
July–Dec., 1905	371,430,004	75,355,184	18,569,871	2,417,221	467,772,280
Jan.–June, 1906	138,057,967	43,644,816	....	17,325,146	199,027,930
July–Dec., 1906	169,814,190	....	....	15,880,998	185,695,186
Jan.–July, 1907	5,415,285	....	....	10,730,568	16,145,853
Total	1,418,731,229	82,430,129	69,311,977	50,738,921	1,721,212,256

The disbursements of the military expenses of over 1,283,000,000 *yen* and the naval expenses of over 225,000,000 *yen*, totaling over 1,508,000,000 *yen*, were made as follows:

MILITARY AND NAVAL DISBURSEMENTS, 1903–1907

Period	Military	Naval	Total
	Yen	*Yen*	*Yen*
October–December, 1903	....	16,011,320	16,011,320
January–June, 1904	112,118,831	31,937,375	144,056,206
July–December, 1904	300,240,120	38,852,902	339,093,022
January–June, 1905	365,506,930	43,020,254	408,527,184
July–December, 1905	250,424,007	45,276,648	295,700,655
January–June, 1906	78,280,134	28,224,617	106,504,751
July–December, 1906	137,593,604	14,352,930	151,946,534
January–June, 1907	39,154,431	7,478,437	46,632,868
Total	1,283,318,056	225,154,482	1,508,472,538

From the beginning of the war to the conclusion of the important battles, the total of disbursements at the end of regular periods always exceeded the total of revenues, the deficit varying from over 16,000,000 *yen* to over 172,000,000 *yen*. However, after the conclusion of the important battles, the total of revenues always exceeded the disbursements. The relations between revenue and expenditure are shown in the table at the top of the following page.

But the revenues of war funds in the table represent the nominal figures to the credit of the Treasury, including that amount which could not at once be used at home.

VARIATION IN REVENUE AND DISBURSEMENTS OF WAR FUNDS, 1903–1907

Date	Revenue	Disbursements	Balance
	Yen	*Yen*	*Yen*
December, 1903	....	16,011,320	— 16,011,320
June, 1904	95,192,052	160,067,526	— 64,875,474
December, 1904	326,296,587	499,160,548	—172,863,961
June, 1905	853,571,007	907,687,731	— 55,116,724
December, 1905	1,320,343,287	1,203,388,388	+116,854,900
June, 1906	1,519,371,217	1,309,893,136	+209,478,080
December, 1906	1,705,066,403	1,461,839,670	+243,226,733
July, 1907	1,721,212,256	1,508,472,538	+212,739,718

Consequently, the amount of deficit in the table is much smaller than it really was. At the end of each regular period the total of actual deficits in the war funds and the amount of funds from various sources applied to fill these deficits were as follows:

MEANS OF FILLING TEMPORARY DEFICITS

Date	Deficits in war expenses	Amount transferred from other accounts in Treasury	Exchequer bonds	Temporary loans	War tickets [a]
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
Dec. 31, 1903	16,011,320	9,011,320	....	7,000,000	....
June 30, 1904	64,875,474	20,811,908	....	35,500,000	8,563,565
Dec. 31, 1904	172,863,961	21,254,133	....	92,000,000	59,609,827
June 30, 1905	190,519,023	58,131,023	35,000,000	9,000,000	88,388,000
Dec. 31, 1905	222,207,451	15,883,925	100,000,000	34,000,000	72,323,526
June 30, 1906	29,976,747	....	115,200,000	....	18,350,232
Dec. 31, 1906	5,916,700	....	48,200,000	....	10,774,105
June 30, 1907	31,232,511	....	....	....	7,647,503

[a] The war tickets represent the figures excluding the amount redeemed.

During the six months ending December, 1906, the amount of revenue for the war funds exceeded the amount of the war expenditure, but in other months the war revenue was always short of the required sums. The monthly deficit was more than 10,000,000 *yen* from August, 1904, to April, 1906, and the maximum of deficit exceeded 200,000,000 *yen*. To fill up this temporary deficit, the government resorted to various measures: the transfer from one item to another in the revenue to the Treasury, the flotation of exchequer bonds, the incurring of temporary loans in the form of circulating

bonds, and the issue of war tickets. The first mentioned of these measures was carried on from the outset of the war until December, 1906, the largest amount at any transferred month end being 63,000,000 *yen*. The exchequer bonds issued from February, 1904, to the end of the war amounted to from 10,000,000 *yen* to 115,200,000 *yen* monthly, the amount ranging between 30,000,000 *yen* and 40,000,000 *yen* a month in most cases. The temporary loans raised from December, 1903, to May, 1906, amounted to from 4,000,000 *yen* to 92,000,000 *yen* monthly, generally amounting to about 40,000,000 *yen*. The war tickets were first put into circulation in February, 1904, the largest amount of their monthly circulation being 96,000,000 *yen*. The monthly circulation of these tickets generally amounted to from 50,000,000 *yen* to 90,000,000 *yen*, rarely below 10,000,000 *yen*.

The war tickets were not different from the exchequer bonds or from temporary loans, in that they were all intended to fill up the temporary deficits in the Treasury revenue; but in real object these tickets were materially different from those circulating notes. The objects of the issue of war tickets were, on the one hand, to put off specie payment at home, so that the government could pay a large amount in specie to foreign countries, and, on the other hand, to facilitate the payment of war expenses at the Korean and Manchurian fronts. The government was thus able to maintain the specie reserve at home and to make use of that amount of funds which was paid in war tickets, free of interest. The war tickets were of the nature of promissory notes payable at sight, to be exchanged for Japanese 1 *yen* silver coins circulating in the regions where the tickets were used. These tickets had six denominations of 10, 5, and 1 *yen*; 50, 20, and 10 *sen*. The following measures were taken by the government to augment the credit and to increase the circulation of the war tickets: (1) The exchange of war tickets for Japanese silver coins was made at the military cash office and Treasury branch offices in Manchuria and Chosen; and the Yokohama Specie Bank branch at Tiehling and Newchwang bought from time to time

those tickets at the current price. (2) The branches and subbranches of the Yokohama Specie Bank and the Dai Ichi Ginko (First Bank) in Manchuria accepted the tickets for remittance of money to Japan or to Chinese ports having commercial relations with Manchuria. (3) The branches of the Yokohama Specie Bank and the Dai Ichi Ginko in Manchuria and the Specie Bank branch and subbranch at Tientsin and Chefoo accepted the tickets for deposits of money. (4) The tickets were accepted for payment of taxes, etc., by our field post offices in Manchuria and our post offices in North China and Korea, and also by our military administration office and the Chinese local authorities, and were issued as allowances to our troops and civilians at the front. (5) The tickets were exchanged for current coins at the current price of Japanese silver coins, at designated cash offices at home and at Treasury branches in Manchuria and Korea, for the benefit of those who wanted to use current coins in Japan or in Korea.

At first the war tickets were not in ready circulation in Manchuria, but the repeated victories of the Japanese Army in Manchuria ensured the success of the measures taken by the Japanese authorities, so that these tickets practically became legal tender in Manchuria. The total of the war expenses paid in war tickets from the beginning of the war (December, 1903) to July, 1906, amounted to 206,398,813 *yen*, out of which 191,145,455 *yen* were redeemed and the balance of 15,253,358 *yen* remained unredeemed. This meant that the government utilized without interest a large amount of capital and economized the payment in cash to the amount of the unredeemed tickets. The adjustment of these unredeemed tickets was entrusted, after the war, to the Yokohama Specie Bank, which also took over the business for the amount of tickets that had not been redeemed by the end of July, 1906. To accomplish the purpose the Specie Bank issued promissory notes payable at sight as substitutes for the war tickets, and thus gradually effected the redemption of the war tickets.

CHAPTER V

CONCLUSION

The expenditures of the Russo-Japanese War consisted of 1,508,470,000 *yen* for war-time military expenses and 221,580,000 *yen* for war-time administrative expenses, making a total of 1,730,050,000 *yen*. These actual defrayals, compared with the estimates, may be tabulated as follows:

EXPENSE ESTIMATES AND DEFRAYALS, ETC.

	War-time military expenses	War-time administrative expenses	Total
	Yen	*Yen*	*Yen*
Estimates	1,746,421,036	239,705,888	1,986,126,924
Settled accounts	1,508,472,538	221,581,606	1,730,054,144
Excess of estimates	237,948,498	18,124,282	256,072,780
Transferred to general account	137,243,733	....	137,243,733
Not used	100,704,765	18,124,282	118,829,047

As seen from the above table, the estimates for the war expenditures under the special accounts for the extraordinary military expenses exceeded the settled accounts by 237,940,000 *yen*, of which the sum of 137,240,000 *yen* was transferred to the general accounts and the sum of 100,700,000 *yen* was not used at all. The estimates for war-time administrative expenses under the general accounts exceeded the settled accounts by 18,120,000 *yen*, the amount that was not used at all.

The items of revenue taken into the special accounts as funds for the war expenditures were, among various sources of income described in Chapter III, the subscriptions for public loans (not including, of course, the revenue from the tobacco monopoly and from the exchequer bonds), contributions to the war funds, income from sale of government property, revenue from transportation services, special revenues,

all miscellaneous revenues, revenue from tax increases, the main portion of the special account funds, and a part of the surplus of the annual accounts. The total revenue for the war expenditures amounted to 1,721,210,000 *yen*, a decrease of 25,200,000 *yen* as compared with the estimates.

REVENUES [a]

	Estimates	Actual revenue	Difference
	Yen	*Yen*	*Yen*
Subscription for public loans....	1,492,421,036	1,418,731,229	−73,689,807
Increase of taxes, etc.....	181,201,879	178,178,138	− 3,023,741
Surplus of the annual accounts..	7,798,121	4,251,991	− 3,546,130
Funds for special accounts.....	63,000,000	69,311,977	+ 6,311,977
Contributions for war funds, etc.	2,000,000	50,738,921	+48,738,921
Total.....	1,746,421,036	1,721,212,256	−25,208,780

[a] The revenue from tax increases, etc., together with the surplus of the annual accounts, was taken into the special accounts of the extraordinary military expenses, indirectly through the general accounts, whereas the revenues from other sources were taken in directly. The income from tax increases, etc., consisted of the whole income of the fiscal year 1904–5, amounting to 59,170,000 *yen*, and part of the income of the fiscal year 1905–6, amounting to 119,000,000 *yen*.

As funds for war-time administrative expenses there were counted the surplus of the annual accounts, amounting to 140,580,000 *yen*, the income from tax increases, etc., amounting to 31,670,000 *yen*, the fund of the special accounts, amounting to 4,250,000 *yen*, and the revenue from national loans of 63,190,000 *yen*, aggregating 239,700,000 *yen*. Out of this amount, the income from tax increases, etc., and the surplus of the annual accounts greatly increased, so that the revenue from the national loans remained untouched, except a certain amount paid by the government to the tobacco manufacturers in exchequer bonds for grants, for compensations, and for purchasing goods, as a part of the initial expenses for the tobacco monopoly. The funds actually paid for war-time administrative expenses, therefore, consisted of the fund for the special accounts to the amount of 4,257,894 *yen*, the exchequer bonds for starting the tobacco monopoly, amounting to 12,310,500 *yen*, and the tax increases, etc., and the surplus of the annual accounts, amounting to 205,013,212 *yen*.

As for the income and expenditure in the special accounts of the extraordinary military expenses, the expenditure for war-time military expenses amounted to 1,508,470,000 *yen* as against 1,721,210,000 *yen* in income, the balance in favor of income being 212,739,718 *yen*. This excess was transferred to the annual income of the general accounts, of which 137,240,000 *yen* was transferred as source for the extraordinary military expenses transferred to the general accounts, as stated already.

PART II

ECONOMIC EFFECTS OF THE RUSSO-JAPANESE WAR

CHAPTER I

INTRODUCTION

The Russo-Japanese War was the greatest war that Japan has ever waged. If, in the military sense, she attained nearly all for which she fought, she suffered a most severe blow in every sphere of her social activity. In the economic field in particular the war consumed an enormous amount of capital, and necessitated the withdrawal of a large number of able-bodied men from productive employment. There was, indeed, not a single economic project or enterprise that was not affected by the exigencies of the war. We have now to consider the extent of this economic blow, and also the extent to which the nation succeeded in repairing the injury.

The economic strain came principally from two different directions. On the one hand, the war cost Japan nearly 1,700,000,000 *yen*. It was inevitable that this sudden increase of her fiscal burden should throw her national finance into a state of dislocation. Domestic funds were absorbed in the form of public loans and taxes, while a large amount of capital was newly imported from foreign countries, thereby producing important changes in the industrial world. On the other hand, the war withdrew about a million workers from domestic industries. The Japanese troops at the front were reckoned at some 800,000, but it may safely be assumed that the number that actually took the field was far above this figure, for any diminution in the fighting strength on account of casualties and sickness had to be constantly filled up. When several hundred thousand combatants and noncombatants in the rear service are added, the number of men who took part directly or indirectly in the war will come up nearly to 2,000,000. In Japan, at the outbreak of the war, there were not more than 10,000,000 males employed in production who led independent lives and supported their families by the fruits of their labor. Out of this productive population of

10,000,000, or the economic backbone of the nation, some 2,000,000 were drafted and put in the war service. It is easy to see that this had a most far-reaching effect upon our economic world. Besides, various organs of communication were put to military uses, which was also a blow to industries. However, the two causes above mentioned were the most important of all. They affected practically every branch of national economy by their complication, interplay, and combination. The question before us, therefore, is to trace the influence of these two factors. It has to be observed that, though the disbursement of war expenditures and the withdrawal of productive labor acted conjointly, there were cases where either one or the other was of particular importance. Consequently, we may divide our study into two departments, *i.e.*, the cases where the effect of war expenses was the dominant influence, and the cases where the effect of the enlistment of labor was comparatively more serious. What effect had the war on the national finance? What changes did the war produce in monetary circulation? Such questions belong to the former department, while we may mention the effects of war upon various industries as belonging to the latter. What blow did the war deal to primary industries? What were the direction and extent of the changes produced in trade and industry? What was the extent of the pressure upon the communication service, intensified by the appropriation of communication facilities for war purposes, which was counted as a subsidiary cause of the changes? Besides these two sets of questions, we may consider what effects the war had on the general life of the people. Thus, the subject-matter of our inquiry is divided into three departments: (1) the effects on public finance and monetary circulation; (2) the effects on primitive industries, developed industries, trade, and communication service; (3) the effects on the general life of the people.

We shall consider in the following chapters the consequences of the war in the three departments above outlined. We purpose studying the extent of the blow dealt by the war to

the activities of each department, as well as the extent of the development the nation attained in her economic life in spite of this blow. The whole question can be synthetically answered only when each particular question has been considered. We shall begin with the inquiries into the effects of the war on public finance.

CHAPTER II

EFFECTS ON PUBLIC FINANCE

General Remarks

The effects of the Russo-Japanese War on public finance may be viewed in two aspects: the changes brought about in the general finance of the Treasury on account of the raising of war expenditures, and the determination of the sources of revenue for these expenditures. As already stated, the cost of the war aggregated 1,730,000,000 *yen*, including the war-time military expenditures of 1,508,000,000 *yen* disbursed in four fiscal years from 1903–4 to 1906–7 and the war-time administrative expenditures of 221,000,000 *yen* defrayed in five years from 1903–4 to 1907–8. Of the sources supplying the war expenditures, those which met the military expenditures consisted of 1,418,000,000 *yen* from public loans, 178,000,000 *yen* from the increases of taxation, etc., and 124,000,000 *yen* from the funds of special accounts, receipts from sales of public property, and other items of revenue. The administrative expenditures were met by incomes from the increases of taxation, etc., surpluses from the annual accounts of the Treasury, and accommodations from special accounts.

During the war finance period comprising the four fiscal years from 1903–4 to 1906–7, the financial resources of the nation were entirely mobilized for the war, with the result that, while ordinary expenditures not connected with the war showed a considerable decrease, the war expenditures and the increase of disbursements for various government industries connected with the war made the expenditures in our public finance expand at a bound to more than ten times their pre-war amounts. The large public loans raised to finance the war after its outbreak caused a sudden rise in the public debt expenses, particularly in the payment of interest and principal of public bonds. The amount of pensions for mili-

tary and naval men who served in the war suddenly swelled the expenditures for pensions. Such increases in expenditures became a heavy burden on our national finance for a considerable time, hampering the execution of various new enterprises which necessarily followed the termination of the war. After the war, new expenditures were required for the country's outward expansion, *i.e.*, for the maintenance and development of the rights and interests acquired in Manchuria and Korea as the result of the war, as well as for the administration and development of the southern half of Saghalien (Karafuto), which now became Japan's possession. Considerable outlay was also demanded for internal reconstruction and development, *i.e.*, for the resumption of the undertakings suspended on account of the war, as well as for other enterprises which became necessary after the war. On inquiring into the sources that supplied these expenditures, as we have already noted, the greater part of the war expenditures was supplied by public loans, the rest being paid out of the general revenue from increased taxation and the retrenchment of ordinary expenditures and other sources, while to meet the increase in the expenditures for public debt and pensions, which was a direct result of the war, the war taxes which were to be abolished at the end of the year after the war were retained. The expenses for various new enterprises started after the war were raised for the most part by loans. Moreover, the expansion of expenditures after the war necessitated, besides the continuance of the war taxes, the enforcement of a further increase of taxation.

Expansion of Expenditures

The Russo-Japanese War marked a turning-point in the public finance of Japan. Looking over the annual expenditures (including special accounts), we find that the figures after the war amounted to several times those before the war. The annual expenditures before the war (1900–3) were about 330,000,000 *yen*, comprising 220,000,000 *yen* for ordinary expenditures and 100,000,000 *yen* for extraordinary expendi-

tures. During the war finance period, on the contrary, the annual expenditures showed a reduction in ordinary expenditures, but a pronounced expansion in expenditures for war and for government industries connected with the war. As a result, the ordinary expenditures during the war varied between 230,000,000 *yen* and 475,000,000 *yen*, rather a fall compared with the pre-war figures, while the extraordinary expenditures totaled from 239,000,000 *yen* to 832,000,000 *yen*. Thus, the aggregates of ordinary and extraordinary expenditures ranged from 484,000,000 *yen* to 1,062,000,000 *yen*. But after the war, while the national finance gradually returned to its normal conditions, the execution of the after-war program required fresh expenditures, so that the ordinary expenditures rose to some 600,000,000 *yen* and the extraordinary expenditures to about 200,000,000 *yen*, aggregating 800,000,000 *yen*. This was two or three times the amount of annual expenditures before the war.[1]

It will thus be seen that the war changed the entire aspect of Japan's public finance. Not only did the large sums of war-time military and administrative expenditures swell the annual disbursements to the utmost degree, but the increase in the expenditures for military supplies and other government industries necessary for the prosecution of war was also a factor which contributed to the inflation of annual expend-

[1] The main parts of our annual expenditures and revenues are treated in the general accounts, besides which there are a number of special accounts. Consequently, it is impossible to know the total amount of our annual expenditures and revenues unless we make up one resultant account by adding together the amounts of the general and special accounts. The figures mentioned above represent the total of the general and special accounts, so that these figures are different from those of the general accounts which are ordinarily mentioned as representing annual expenditures and revenues. If we examine the general accounts alone, the ordinary expenditures before the war were about 160,000,000 *yen* and the extraordinary expenditures some 120,000,000 *yen*, totaling 280,000,000 *yen*, approximately. In the war finance period, the ordinary expenditures ranged from 126,960,000 *yen* (1904–5) to 339,950,000 *yen* (1906–7), while the extraordinary expenditures ranged from 79,830,000 *yen* (1903–4) to 264,050,000 *yen* (1905–6), aggregating from 249,590,000 *yen* (1903–4) to 464,270,000 *yen* (1906–7). The war-time military expenditures are, of course, excluded from these figures of the general accounts, though the war-time administrative expenditures are included. After the fiscal years mentioned above, the ordinary expenditures varied from 394,190,000 *yen* to 409,240,000 *yen* and the extraordinary expenditures from 138,700,000 *yen* to 227,110,000 *yen*, the total ranging from 532,890,000 *yen* to 636,360,000 *yen*.

itures. Also the increased expenditures for public debt and pensions constituted a considerable portion of the annual expenditures for a long time after the war. We shall consider in the following pages the changes in annual expenditures brought about by the war, under the respective headings of military expenditures, expenditures for financial affairs (public debt expenses and others), administrative expenditures, government industries expenditures, and colonial expenditures.

Military expenditures

War being the last resort by which the rise or fall of a state in its international position is determined and the result of the conflict controlling its destiny, victory must be secured at any cost, even to the mobilizing of all the national resources, once war is declared; for in the present condition of human life the state is the most important factor for the attainment of the peace and happiness of mankind. During war, therefore, military expenditures must take precedence over all other outlays, even to the sacrifice of the latter.

It has already been stated that of the war-time military expenditures, amounting to 1,508,000,000 *yen*, the greater part, namely, 1,283,000,000 *yen*, was taken up by the expenses for the Army, and that of the war-time administrative expenses 36,000,000 *yen* was the amount for the Army. The two items totaled 1,319,000,000 *yen*, which represents the whole of the war expenditures for the Army and was disbursed in five fiscal years beginning with 1903–4. We shall make here, for the sake of convenience, yearly divisions in the military expenditures in order to compare the regular expenditures for the Army with the war expenses for the Army, and to show the changes in the total expenditures for the Army before, during, and after the war. (See table at the top of the next page.)

The general trend of the total expenditures for the Army before, during, and after the war will thus be understood from the following table. In the pre-war days, the ordinary expenses ranged from 36,000,000 *yen* to 39,000,000 *yen* and the extraordinary expenses from 10,000,000 *yen* to 38,000,000 *yen*,

ARMY EXPENDITURES, 1900–1910 [a]

Fiscal year	Regular Army expenditures			War expenses	Grand total
	Ordinary	Extraordinary	Total		
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1900–1	36,123,892	38,714,309	74,838,201	....	74,838,201
1901–2	37,433,911	20,947,869	58,381,780	....	58,381,780
1902–3	39,169,669	10,272,390	49,442,059	....	49,442,059
1903–4	39,355,388	7,529,174	46,884,562	112,118,831	159,003,393
1904–5	9,066,468	3,022,042	12,088,510	665,747,050	677,835,560
1905–6	8,535,794	2,573,377	11,109,171	328,704,141	339,813,312
1906–7	38,372,794	2,369,821	40,742,614	204,468,626	245,211,240
1907–8	50,870,677	67,849,064	118,719,741	8,545,001	127,264,742
1908–9	68,723,299	74,365,825	143,089,124	....	143,089,124
1909–10	69,601,504	36,564,497	106,166,001	....	106,166,001

[a] The regular expenditures for the Army in the above table represent the total of those expenditures of the general accounts which came under the control of the War Office, with the exception, however, of the extraordinary-affairs expense connected with the Russo-Japanese War (part of the war-time administrative expenses), which is left out, while the expenses for the Horse Administration Bureau prior to 1908–9 are included as transferred from under the Finance Department. The fiscal years for the war-time military expenditures terminated with 1906–7, *i.e.*, the end of March, 1907, but the payment was not concluded until the end of June. So in the above table the expenditures for the twelve months ending in June each year are taken as the expenditures for one fiscal year. The grand total represents the aggregate of expenditures for the Army.

totaling from 49,000,000 *yen* to 74,000,000 *yen*. This was the normal level of expenditures for the Army, but a sudden change occurred in the war finance period. The ordinary expenses now fell to about 9,000,000 *yen*, and the extraordinary expenses to about 3,000,000 *yen*, totaling 12,000,000 *yen*, approximately, while the war expenditures for the Army ranged from 112,000,000 *yen* to 665,000,000 *yen*, bringing up the grand total to large sums varying from 159,000,000 *yen* to 677,000,000 *yen*.

Next, the war expenditures for the Navy were 225,000,000 *yen* in the war-time military expenditures and 25,000,000 *yen* in the war-time administrative expenditures, with the aggregate of 250,000,000 *yen*. The relations of these figures to the whole expenditures for the Navy are shown in the following table.

The table indicates the general trend of the whole naval expenses. Before the war, the ordinary expenditures were from 16,000,000 *yen* to 21,000,000 *yen* and the extraor-

NAVY EXPENDITURES, 1900–1910[a]

Fiscal year	Regular expenditures			War expenses	Grand total
	Ordinary	Extraordinary	Total		
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1900–1	16,911,000	41,363,895	58,274,895	....	58,274,895
1901–2	19,484,953	24,494,375	43,979,328	....	43,979,328
1902–3	21,063,345	15,262,843	36,326,188	....	36,326,188
1903–4	21,530,237	14,566,630	36,096,867	47,969,685	84,066,552
1904–5	8,132,720	12,365,497	20,498,217	81,988,157	102,486,374
1905–6	12,332,139	11,030,754	23,362,893	73,550,312	96,913,205
1906–7	27,991,350	12,584,511	30,575,861	43,132,176	83,708,037
1907–8	31,292,936	37,425,843	68,718,779	3,553,541	72,272,320
1908–9	34,347,700	37,230,748	71,578,448	....	71,578,448
1909–10	35,143,432	35,902,959	71,046,391	....	71,046,391

[a] The regular expenditures in this table represent the total of those expenditures of the general accounts which came under the control of the Navy Office, with the exclusion, however, of the war-time administrative expenses. The division of fiscal years for the war-time military expenditures for the Navy has been made in the same way as for the war-time military expenditures for the Army.

dinary expenditures from 15,000,000 *yen* to 41,000,000 *yen*, aggregating from 36,000,000 *yen* to 58,000,000 *yen*, which was the normal level of naval expenditures. The regular expenditures for the Navy in the war finance period fell to an average of over 10,000,000 *yen* in ordinary expenditures and to over 12,000,000 *yen* in extraordinary expenditures, being reduced in the total to 23,000,000 *yen* approximately. But the war expenses for the Navy rose to sums varying from 43,000,000 *yen* to 81,000,000 *yen*, the grand total, therefore, varying from 83,000,000 *yen* to 102,000,000 *yen*.

Lastly, we must compare the entire military expenditures with the war expenditures for the Army and the Navy. In the war finance period, the regular expenditures fell to the total of about 34,000,000 *yen*, including the ordinary expenditures of about 20,000,000 *yen* and the extraordinary expenditures of about 14,000,000 *yen*, while the war expenditures reached sums ranging from 160,000,000 *yen* to 747,000,000 *yen*, the grand total rising to figures from 243,000,000 *yen* to 780,000,000 *yen*. The pre-war Army and Navy expenditures totaled from 85,000,000 *yen* to 132,000,000 *yen*, comprising sums from 53,000,000 *yen* to 60,000,000 *yen* for ordi-

nary expenditures and from 25,000,000 *yen* to 80,000,000 *yen* for extraordinary expenditures. It will be readily understood from these figures how great was the effect of the war on the expenditures for the Army and the Navy. After the war, moreover, the extension of our armament necessitated by the expansion of our national power in Korea and Manchuria, as well as the repletion of our Army and Navy armaments weakened by the war, changed the whole aspect of our military expenditures, which became double the amount before the war. The following table shows in detail the changes in military and naval expenditures above outlined.

MILITARY AND NAVAL EXPENDITURES, 1900–1910

Fiscal year	Regular expenditures			War expenses	Grand total
	Ordinary	Extraordinary	Total		
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1900–1	53,034,892	80,078,204	133,113,096	....	133,113,096
1901–2	56,918,864	45,442,244	102,361,108	....	102,361,108
1902–3	60,233,014	25,535,233	85,768,247	....	85,768,247
1903–4	60,885,625	22,095,804	82,981,429	160,088,516	243,069,945
1904–5	17,199,188	15,387,539	32,586,727	747,735,207	780,321,934
1905–6	20,867,933	13,604,131	34,472,064	402,254,453	436,726,517
1906–7	66,364,143	14,954,332	881,318,475	247,600,802	328,919,277
1907–8	82,163,613	105,274,907	187,438,520	12,098,542	199,537,062
1908–9	103,070,999	111,596,573	214,667,572	....	214,667,572
1909–10	104,744,936	72,467,456	177,212,392	....	177,212,392

Again, the state had to support or reward those who sacrificed themselves or rendered services in the war. This necessity caused a very sharp advance in the expenses for pensions and annuities after the outbreak of the war, as shown in the following statistics.

As is indicated in the following table, the pensions accompanying decorations rose to 13,000,000 *yen* after the war, or thirteen times the amount before the war, while the pensions for military and naval men advanced to 16,000,000 *yen*, or nearly eight times the sum before the war. By far the greater part of the increase was entirely due to the war. The pensions

PENSIONS AND ANNUITIES EXPENDITURES, 1900–1910 [a]

Fiscal year	Pensions accompanying decorations	Pensions for military and naval men	Pensions for civilians	Others	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1900–1	940,928	2,221,840 (170,855)	1,131,406	213,072	4,507,246
1901–2	946,772	5,477,516 (3,149,963)	1,210,034	216,170	7,850,912
1902–3	954,341	2,745,621 (93,085)	1,365,856	231,712	5,297,530
1903–4	941,389	3,005,226 (5,472)	1,500,225	247,203	5,694,033
1904–5	1,198,291 (99,646)	3,412,090 (120)	1,635,629	276,878	6,522,888 (99,766)
1905–6	2,126,159 (785,933)	9,223,791	1,742,369	359,913	13,452,232 (785,933)
1906–7	13,310,568	16,644,825	1,883,393	397,566	32,136,352
1907–8	12,148,660	14,673,697	2,043,069	432,277	29,297,703
1908–9	10,406,757	14,511,100	2,146,462	471,329	27,535,648
1909–10	10,201,620	14,771,135	2,278,200	510,609	27,761,564

[a] The figures in parentheses denote partial payments disbursed as extraordinary expenses.

for civilians and others underwent no appreciable change. As regards the total of pensions and annuities, we see that the amount, which was about 5,000,000 *yen* before the war, swelled to 32,000,000 *yen* after the war, more than a sixfold rise.

The increase of taxation and the inauguration of government monopolies during the war brought about an increase in expenditures. But even after the war the increased taxation and monopolies were retained in order to meet the expansion of national debt expenditures. The greater demand for coins during the war naturally resulted in a sharp increase in the expenses of the mint.

Expenditures for financial affairs

The expenditures for financial affairs as understood in these pages cover roughly all of the expenses incurred for the raising of funds and the disposition of these funds, including those relating to public debt, taxation and monopolies, the expenses for pensions, which are allied in nature to the expenses for public debt, as well as other expenses connected with financial

affairs. The imposition of war taxes caused a rise in the expenditures for collection of taxes, the inauguration of government manufacture and monopoly of tobacco and monopoly of salt augmented the expenditures for monopolies, the issue of war bonds swelled to a conspicuous degree the expenditures for public debt, the expenditures for pensions rose with the extent of sacrifices of life or health in the war, while the expenses for other financial matters also showed considerable increase.

FINANCIAL AFFAIRS EXPENDITURES, 1900–1910[a]

Fiscal year	Public debt	Pensions	Other financial affairs	Total
	Yen	*Yen*	*Yen*	*Yen*
1900–1	36,880,593	4,507,246	20,854,618	62,242,458
1901–2	39,706,746	7,850,912	18,685,332	66,242,991
1902–3	59,498,180	5,297,530	17,443,474	82,239,184
1903–4	41,391,177	5,694,033	22,660,780	69,745,990
1904–5	47,302,587	6,522,888	40,368,437	94,193,912
1905–6	115,287,147	13,452,232	65,820,632	194,560,011
1906–7	145,423,768	32,136,352	64,826,239	242,386,359
1907–8	182,330,351	29,297,703	78,399,528	290,027,582
1908–9	201,636,543	27,535,648	81,943,384	311,115,485
1909–10	188,509,809	27,761,564	76,653,291	292,924,664

[a] The figures in this table comprise all the expenditures belonging to the general and special accounts.

As indicated in the above table, the expenditures for financial affairs, which were from 62,000,000 *yen* to 82,000,000 *yen* before the war, made a striking advance during the war, reaching figures from 242,000,000 *yen* to 311,000,000 *yen*, which was nearly a fourfold rise. Of these expenses for financial affairs, those for public debt, which were from 37,000,000 *yen* to 59,000,000 *yen* before the war, declined more or less during the war. The figures rose again after the war, reaching amounts varying from 145,000,000 *yen* to 201,000,000 *yen*, which are nearly four times the figures in the pre-war period.

The expenses for pensions ranging from 4,500,000 *yen* to 7,850,000 *yen* before the war began to rise during the war, amounting to sums from 28,000,000 *yen* to 32,000,000 *yen*

after the war, or about a fivefold increase. The expenses for other financial affairs, which were from 17,000,000 *yen* to 21,000,000 *yen*, multiplied about four times, reaching figures from 65,000,000 *yen* to 82,000,000 *yen* after the war.

We shall now explain how the expenditures for public debt quadrupled in consequence of the war. As will be noted later on, the public debt of Japan (excluding Treasury bills and temporary borrowings) stood at 530,000,000 *yen* before the war or at the end of the fiscal year 1902–3 (March 31, 1903); but the flotation of war bonds totaling 1,584,000,000 *yen* swelled the volume of public debt to 2,420,000,000 *yen* at the end of the fiscal year 1906–7 (March 31, 1907), which was an inflation to more than four and one-half times the amount before the war. Besides, there was a large increase in Treasury bills and temporary borrowings due to the requirements of the war. These factors caused an enormous increase in the payment of interest and principal on the public debt. In order to consolidate the public debt thus inflated, the government established a sinking fund (national debt consolidation fund) in the fiscal year 1906–7, by which system it was designed to specially dispose of the issue and redemption of public bonds and other revenues and expenditures connected with national debt. An annual amount not less than 110,000,000 *yen* was transferred to this fund from the general accounts to effect the redemption of principal and payment of interest on national debt incurred on account of the war with Russia. The changes in the expenditures for public debt are indicated in the table at the top of the next page.

It will have been observed from the table that the expenses for national debt after the war multiplied to about four times the amount before the war. The expenditures for the redemption of national bonds reached the maximum of 27,770,000 *yen* before the war, a sum which declined considerably during the war because the necessity of raising war funds compelled the postponement of redemption of national bonds. But the amount began to rise again after the war, as a result of the increase of national debt, which greatly swelled

PUBLIC DEBT EXPENDITURES, 1900–1910[a]

Fiscal year	National debt redeemed	Interest on national debt	Commissions and other expenses for national debt	Interest on deposits	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1900–1	10,677,044	23,685,351	136,301	2,381,896	36,880,593
1901–2	10,813,828	26,432,854	128,165	2,331,899	39,706,746
1902–3	27,770,420	28,846,522	131,153	2,750,086	59,498,180
1903–4	7,979,556	29,603,350	349,669	3,458,603	41,391,177
1904–5	516,289	41,062,060	2,584,027	3,140,212	47,302,587
1905–6	6,198,585	99,266,506	7,137,026	2,685,029	115,287,147
1906–7	21,730,720	115,839,421	4,496,470	3,357,157	145,423,768
1907–8	32,071,646	143,216,674	2,717,666	4,324,365	182,330,351
1908–9	57,397,788	136,510,718	1,536,171	6,191,776	201,636,453
1909–10	52,837,491	126,581,080	1,516,320	7,574,919	188,509,809

[a] This table represents the total amount of expenditures for public debt, consisting of ordinary expenditures belonging to the general and special accounts and of extraordinary expenditures belonging to the general accounts. It includes, as a matter of course, the expenses for public debt on account of the Boxer trouble, and extraordinary affairs expenditures. The national debt redeemed comprises the amount redeemed of national bonds, temporary borrowings, and all other national debt, while the interest on national debt includes the interest on the floating debt, such as Treasury bills and temporary borrowings, as well as interest on funded debt. However, the expenditures for the redemption of national debt by means of conversion are excluded. The interest on deposits denotes the interest on postal savings.

the expenses for redemption, bringing the amount up to 57,000,000 *yen*. The interest on the national debt, which reached the maximum of 28,000,000 *yen* before the war, advanced rapidly during the war, recording 143,000,000 *yen* after the war, while the commissions and other expenses for national debt reached the maximum of 7,000,000 *yen* with the increased flotation of public loans. Thus, the expenses for national debt, which ranged from 36,000,000 *yen* to 59,000,000 *yen* before the war, steadily increased during the war, amounting finally to some 200,000,000 *yen*. (See table on next page.)

Before the war, the expenditures for taxation were approximately 4,000,000 *yen*, those for monopolies about 9,000,000 *yen*, and those for the mint less than 1,000,000 *yen*, while these amounts began to increase during the war, swelling the expenses for taxation to some 7,000,000 *yen* after the war, those for monopolies to about 4,000,000 *yen*, and those for the mint to the maximum of 12,000,000 *yen*. The advance in the expenditures for other financial affairs came primarily through the refunding of the taxes and other revenues, the filling of

GENERAL AND SPECIAL ACCOUNTS EXPENDITURES, 1900–1910[a]

Fiscal year	Taxation	Monopolies	Mint	Other financial matters	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1900–1....	3,877,838 (5,026)	9,634,625	987,405	6,354,752 (3,530,340)	20,854,618 (3,535,366)
1901–2....	4,109,010	8,298,144	979,514	5,298,664 (2,304,361)	18,685,332 (2,304,361)
1902–3....	4,387,177	8,202,018	736,782	4,117,497 (1,708,686)	17,443,474 (1,708,686)
1903–4....	4,437,226	11,593,560 (370,310)	1,472,561	5,157,433 (1,042,715)	22,660,780 (1,413,025)
1904–5....	4,645,741 (337,578)	20,080,410 (5,118,029)	4,322,920	11,319,366 (7,179,612)	40,368,437 (12,635,219)
1905–6....	5,628,615 (790,354)	43,151,095 (17,620,280)	9,622,649	7,418,273 (1,190,358)	65,820,632 (19,600,992)
1906–7....	6,249,335 (65,445)	38,676,198 (1,865,431)	9,217,476	10,683,230 (1,801,206)	64,826,239 (3,732,083)
1907–8....	6,600,787 (8,004)	41,066,067 (1,009,755)	12,181,407	18,551,267 (3,020,595)	78,399,528 (4,038,354)
1908–9....	7,612,598 (9,495)	39,541,239	11,104,183	23,685,364 (9,585,224)	81,943,384 (9,594,719)
1909–10...	7,734,594 (12,914)	39,129,685	8,455,729	21,333,283 (5,038,295)	76,652,291 (5,051,209)

[a] These figures represent the total expenses belonging to the general and special accounts. The figures in parentheses denote those parts of the prefixed amounts which were disbursed as extraordinary affairs expenses. The expenditures belonging to the special accounts had no distinction made as between ordinary and extraordinary expenses, so that these expenses are all treated here as ordinary expenses for the sake of convenience.

deficits, and the increases in the cost for building and repairing. Though this increase was only to a slight extent the direct consequence of the war, it must be said that the amount rose as a result of the inflation of public finance. Thus, the expenditures for financial affairs other than the expenses for national debt and pensions and annuities showed also a noteworthy rise in amount after the outbreak of the war from the total of some 20,000,000 *yen* before the war to some 70,000,000 *yen* after the war.

Expenditures for government industries

What we call government industries in Japan include, in the broadest sense of the term, all the industries which are owned and operated by the government, yielding revenues in return for expenditures. Consequently, the government industries comprise (1) industries undertaken for profit, such as

the manufacture of arms and war supplies, manufacture of iron and steel, printing, and the railway business; (2) industries not undertaken for profit, such as postal, telegraphic, and telephone services and forestry; and (3) industries undertaken for the double end of profit and taxation, such as the tobacco and salt monopolies. However, as the industries belonging to the second group are primarily intended for public benefit, they should be regarded as affairs of the developmental adminstration, while the businesses of the third group, which are organized primarily for revenue, should be treated as belonging to the financial administration. So the government industries that have connection with the expenditures to be discussed below are those in the narrow sense and worked for profit only.

In considering the effects of the war upon these expenditures for government industries, it will be convenient to divide them into four classes: (1) the manufacture of arms and war supplies undertaken to meet military requirements; (2) the manufacture of iron and steel for assisting in the development of industries; (3) the railway for the advancement of national economies; and (4) other government industries. After the outbreak of the war, the demand for arms and war supplies suddenly increased, as a matter of course, and the government industries connected with their manufacture were rapidly extended and worked to the fullest capacity to supply the needs of the war. The busy manufacture of arms caused at once a sharp rise in the demand for iron and steel, with the result that the government iron foundry was extended. Moreover, the printing business, which is the most important of government industries other than those of munitions and irons, had to be extended with the increasing volume of state affairs on account of the war. As for government railways, the speedy construction of short sections necessary for war-time communications, the construction and improvement of lines had to be curtailed to a considerable extent, under the stress of raising the necessary money for war. The consequence was that while the expenditures for government industries showed a consid-

erable diminution in railway expenditures, a phenomenal advance was recorded in the expenditures of practically all other businesses.

EXPENDITURES FOR GOVERNMENT INDUSTRIES, 1900–1910 [a]

Fiscal year	Government manufacture of war supplies	Government railways	Government iron and steel manufacture	Other public industries	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1900–1	17,583,329	35,456,032	8,180,262	1,685,875	62,905,498
1901–2	19,023,955	35,820,525	9,586,968	1,846,306	66,277,754
1902–3	15,880,990	37,072,916	3,676,213	1,507,524	58,137,643
1903–4	19,571,920	40,730,664	4,112,359	1,373,497	65,788,440
			(31,905)	(1,300)	(33,205)
1904–5	51,286,606	28,738,173	6,937,018	1,730,832	88,692,629
		(1,651,953)	(1,576,871)		(3,228,824)
1905–6	90,437,585	28,419,591	11,262,603	2,226,888	132,346,667
		(1,021,815)	(2,307,271)	(95,805)	(3,424,891)
1906–7	49,421,961	44,838,193	14,348,009	2,180,626	110,788,689
		(162,247)	(724,378)		(724,378)
1907–8	45,034,291	89,321,947	14,838,135	2,118,797	151,313,170
1908–9	39,672,912	109,775,011	12,812,296	2,426,055	164,686,274
1909–10	37,537,364	90,483,912	9,496,448	2,057,930	139,575,654

[a] These statistics will be explained in detail by several other tables printed below. In the above table, the figures in parentheses indicate those parts of the amounts prefixed which were disbursed as extraordinary-affairs expenditures. Of course, these extraordinary items do not show the whole extent of the positive effects of the war, but they are added here for reference.

As indicated in the foregoing table, the expenditures for the manufacture of arms and war supplies, which ranged from 17,580,000 *yen* to 19,570,000 *yen* before the war, expanded during the war to sums varying from 50,280,000 *yen* to 90,430,000 *yen*. Though these figures fell considerably after the war, yet the whole expenditures showed a striking increase, compared with the pre-war time, owing to repletion and extension of armaments. The government railways expenditures totaled, before the war, from 35,450,000 *yen* to 40,730,000 *yen*, which declined to amounts varying from 27,390,000 *yen* to 28,420,000 *yen* during the war. But after the war the nationalization and purchase of a number of private railways, together with the execution of the works suspended on account of the war, brought about a sudden and remarkable advance in the expenditures for government railways. The steel business of

the government was inaugurated in the fiscal year 1899–1900. It was still in the initial stage before the war broke out and naturally required a considerable amount of extraordinary expenditures, bringing the total to 3,670,000 *yen* and 4,110,000 *yen*, respectively, in the fiscal years 1902–3 and 1903–4. During the war these expenditures rose at a bound to figures ranging from 6,930,000 *yen* to 11,260,000 *yen*, which increased to a still larger amount after the war, owing to the extension of the steel business which was required by the expansion of national economics. In other government industries a large increase was also noticeable, particularly during the war. Thus, the total expenditures for government industries, which varied from 58,130,000 *yen* to 66,270,000 *yen* before the war, suddenly advanced to sums from 88,370,000 *yen* to 131,320,000 *yen* during the war. And with the expansion of *post bellum* government industries the expenditures for these industries showed a striking advance, compared with the time before the war.

We have made thus far a survey of the general aspects of total expenditures for government industries. We must now consider the effects of the war upon the expenses of each of these industries.

As regards the government undertakings connected with arms and other war supplies in Japan, the Army had military arsenals and the Senju Woolen Mills, while the Navy had naval arsenals and coaling stations. For the same reason that the expenditures for the Army formed the largest item in the expenditures for war, the expenses for military arsenals showed the greatest increase during the war, next in importance being the expenditures for the woolen mills, while the rise in the expenditures for naval arsenals was comparatively slight. (See table on next page.)

As indicated in the table, the expenditures for military arsenals before the war were from 8,290,000 *yen* to 11,990,000 *yen*, which increased during the war to large sums varying from 33,620,000 *yen* to 64,280,000 *yen*, while the expenditures for naval arsenals, which were from 4,160,000 *yen* to 7,010,000

MILITARY AND NAVAL EXPENDITURES, 1900–1910 [a]

Fiscal year	Military arsenals	Naval arsenals	Senju Woolen Mills	Naval coaling stations	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1900–1	11,986,893	4,164,075	1,432,361	....	17,583,329
1901–2	11,997,716	5,055,883	1,970,356	....	19,023,955
1902–3	8,299,190	6,195,395	1,386,405	....	15,880,990
1903–4	10,899,109	7,014,531	1,658,280	....	19,571,920
1904–5	33,625,844	13,157,846	4,502,916	....	51,286,606
1905–6	64,281,193	22,561,310	3,595,082	....	90,437,585
1906–7	26,358,087	19,403,759	3,661,015	....	49,421,861
1907–8	22,680,399	18,150,573	3,415,713	787,606	45,034,291
1908–9	20,453,155	15,290,941	2,687,144	1,241,672	39,672,912
1909–10	17,983,094	15,882,343	2,248,182	1,423,745	37,537,364

[a] The expenditures for military arsenals represent the total of the two special accounts for arsenals at Tokyo and Osaka. The expenditures for naval arsenals before 1904–5 show the total of two special accounts, *i.e.*, the fund for naval shipbuilding and materials and the fund for naval ordnance and materials; while the figures for 1905–6 and subsequent years represent the special account for naval arsenals, which was the aggregate of the two funds above mentioned.

yen before the war, swelled to the figures from 13,150,000 *yen* to 22,560,000 *yen* during the war. The expenditures for the Senju Woolen Mills, which were from 1,380,000 *yen* to 1,970,000 *yen*, rose to amounts between 3,590,000 *yen* and 4,500,000 *yen*. Thus, the total expenditures for the government undertakings for arms and war supplies increased to sums varying from 51,280,000 *yen* to 90,430,000 *yen* during the war, against the total appropriations before the war, which ranged from 15,880,000 *yen* to 19,570,000 *yen*. The amount of each item gradually decreased after the war, but still the figure remained far above the one before the war, showing an altogether new aspect as compared with the pre-war time.

The Government Iron Foundry during the war was extended and worked to the fullest capacity, from the necessity of satisfying a suddenly increased demand for war materials. This greatly swelled its expenditures both in ordinary and extraordinary items. The government had inaugurated the iron foundry business in the fiscal year 1899–1900, and the program for the first period of the work was nearing completion when the war broke out, compelling the government to extend the business by means of the disbursement of extraor-

dinary-affairs expenditures in order to meet the pressing need of the time. The expenditures for other government industries, *viz.*, appropriations for the Printing Bureau, for factory making supplies for lighthouses and telegraphs, and for the Mining Operation Office at Hiroshima, are items scarcely worth noticing here in comparison with the total annual expenditures of the Treasury. However, owing to the congestion of war-time administrative affairs, the business of the Printing Bureau was extended considerably from time to time, which caused some rise in its expenditures.

EXPENDITURES FOR GOVERNMENT INDUSTRIES, 1900–1910[a]

Fiscal year	Operating iron foundry (ordinary)	Creating iron foundry (extraordinary)	Total	Printing Bureau	Other industries	Total
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1900–1....	1,054,064	7,126,198	8,180,262	1,399,195 (249,383)	286,680	1,685,875
1901–2....	3,410,871	6,176,097	9,586,968	1,558,398 (313,699)	287,908	1,846,306
1902–3....	2,690,667	985,546	3,676,213	1,268,183 (89,119)	239,341	1,507,524
1903–4....	3,239,989	872,370 (31,905)	4,112,359	1,186,669 (1,300)	186,828	1,373,497
1904–5....	5,070,551	1,866,467 (1,576,871)	6,937,018	1,578,887	151,945	1,730,832
1905–6....	7,774,277	3,488,326 (2,307,271)	11,262,603	2,073,713 (95,805)	153,175	2,226,888
1906–7....	10,124,745	4,223,264 (724,378)	14,348,009	2,036,602	144,024	2,180,626
1907–8....	10,108,588	4,729,547	14,838,135	1,921,720 (93,920)	197,077	2,118,797
1908–9....	8,405,223	4,407,073	12,812,296	2,241,735 (394,374)	184,320	2,426,055
1909–10...	8,026,325	1,470,113	9,496,448	1,901,389 (302,337)	156,541	2,057,930

[a] The cost of operating the iron foundry was handled in the special account for the iron foundry, while the cost of its creation was included in the general accounts. Of the expenditures for the Printing Bureau, the ordinary expenses were handled in the special account for the Printing Bureau, the extraordinary expenses being included in the general accounts. The expenditures for other government industries, such as the appropriations for the factory supplying lighthouses and telegraphs, and the Mining Operation Office at Hiroshima (abolished in 1905–6), formed a special account for each of the businesses. The figures in parentheses indicate those parts of the prefixed amounts which were disbursed as extraordinary-affairs expenses.

With respect to the iron business, the ordinary expenses before the war were from 1,050,000 *yen* to 3,410,000 *yen*, while

the extraordinary expenses diminished gradually to 870,000 *yen*, the total of the two items ranging from 9,580,000 *yen* to 3,670,000 *yen*. But during the war, the ordinary expenses rose to figures from 5,070,000 *yen* to 7,770,000 *yen*, and the extraordinary expenses increased to amounts ranging from 1,860,000 *yen* to 3,480,000 *yen*, the two items totaling from 6,930,000 *yen* to 11,260,000 *yen*. After the war, however, the second extension program of the iron foundry was executed, which greatly swelled its expenditures compared with the pre-war period, instead of bringing down the figures to the former level.

The expenditures for various government industries above noticed increased in amount as the positive effect of the war. The expenditures for government railways, on the contrary, showed a very large decline as the negative effect of the war, though the speedy construction of such lines as were necessary for war-time communications required a certain amount of fresh outlay.

EXPENDITURES FOR RAILWAYS, 1900–1910 [a]

Fiscal year	Ordinary			Extraordinary			Grand total
	Railway operation	Railway supplies and manufacture	Total	Railway improvement	Railway construction	Total	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1900–1....	10,111,313	7,584,208	17,695,521	4,531,224	13,229,287	17,760,511	35,456,032
1901–2....	11,796,378	8,198,239	19,994,617	3,141,890	12,684,018 (50,000)	15,825,308	35,820,525
1902–3....	12,354,087	8,401,555	20,755,642	2,805,860	13,511,414 (50,000)	16,317,274	37,072,916
1903–4....	13,649,335	10,577,475	24,226,808	2,891,859	13,611,997 (50,000)	16,503,896	40,730,664
1904–5....	13,308,350	7,305,527	20,613,877	1,115,742	7,008,554 (1,651,953)	8,124,296	28,738,173
1905–6....	16,533,027	6,968,448	23,501,475	543,211	4,374,905 (1,021,815)	4,918,116	27,419,591
1906–7....	23,292,246	9,615,669	32,907,915	4,249,373	7,680,905 (162,247)	11,930,278	44,838,193
1907–8....	39,829,943	23,082,186	62,912,129	8,860,633	17,549,185	26,409,818	89,321,947
1908–9....	46,962,982	29,190,118	76,153,100	10,569,322	23,052,589	33,621,911	109,775,011
1909–10...	47,292,677	16,692,734	63,985,411	5,245,260	21,253,241	26,498,501	90,483,912

[a] The above table does not include the expenditures for government industries in Chosen and Taiwan.

The revenue and expenditure of the government railways were segregated into one special account in 1907–8. The

expenditures for railway construction and improvement and the railway supplies and manufacture (from 1909–10) were handled in the account of railway capital, while the cost of railway operation was handled in the account of railway revenues. Before the fiscal years named, however, these items had been distributed among the general accounts and various special accounts. So the cost of railway operation in the above table represents, down to the fiscal year 1905–6, the total of the same item in the special accounts for government railways, together with the expenditures for Hokkaido railways included in the general accounts. The expenditures for railway supplies and manufacture indicate, down to 1904–5, the total of the special account of the funds for government railway supplies and the special account of the funds for the Hokkaido railway supplies. From 1905–6 to 1908–9, the expenditures for railway supplies and manufacture represent the special account of the funds for the Imperial Government railway supplies.

The expenditures for railway improvement and construction down to 1906–7 show the total of the figures for railway construction and improvement belonging to extraordinary items in the general accounts, together with the figures for the construction of Hokkaido railways. Of the figures indicating the expenditures for railway construction, those in parentheses indicate those parts of the prefixed amounts which were disbursed for speedy construction as extraordinary-affairs expenses or for the Hokkaido railway supplies. Both of these payments belonged to the general accounts, but the former consisted of expenditures for the speedy construction of railways (1,336,928 *yen* in the fiscal year 1904–5) and expenditures for the construction of rolling stock, which are outlays different in nature from the expenditures for railway construction. The same may be said of the latter, but they are included in the main figures for the sake of convenience.

The expenses for railway operation belong, of course, to ordinary items, since these were employed for conducting

railway transportation. As to treating as ordinary expenditures the outlays for the purchase and manufacture of railway supplies, there may be some doubt (in view of the fact that expenditures for construction and improvement are not so treated), but the purchase and manufacture of supplies being performed as an ordinary affair, the expenses required may conveniently be treated as ordinary. There is no doubt that the expenditures for construction and improvement are extraordinary outlays both in the nature of expenditures and in the practice of accounts.

During the war the expenditures for railway operation more or less increased, due, perhaps, to busy traffic, while the figures for purchase and manufacture of railway supplies showed a considerable fall, as the result of a decrease in the demand for railway materials on account of the postponement of railway improvement and construction. Thus, the ordinary expenditures as a whole did not record any appreciable change. On the other hand, the extraordinary expenditures for railway construction and improvement remarkably declined. In other words, the figures for this item, which ranged between 15,820,000 *yen* and 17,760,000 *yen* before the war, fell to sums ranging from 8,120,000 *yen* to 4,910,000 *yen*. Thus, the total expenditures for government railways were reduced during the war to amounts from 28,730,000 *yen* to 28,410,000 *yen*, as against from 35,450,000 *yen* to 40,730,000 *yen* before the war. The striking advance in government railway expenditures after the war was the outcome of the nationalization of railways, carried out for military and political reasons, which required large sums for the purchase of private railways.

To summarize the effects of war on the expenditures for government industries: a very remarkable increase occurred in the items for the manufacture of war supplies, iron and steel, and for printing, while the railway expenditures, particularly outlays for improvement and construction, considerably diminished.

Expenditures for peace preservation and developmental administration, and for colonial affairs

The expenditures for peace preservation include the civil list, expenditures for home, foreign, and judicial affairs, as well as expenditures for other important organs of the state, covering a much wider range than the police expenditures, which constitute the appropriations for peace preservation in the narrowest sense. In the expenditures for developmental administration are included the appropriations for the administration to develop material interests, *i.e.*, for the administration of agriculture, commerce, and communications, which represent the administration for the economic and communication affairs. In the same expenditures are also included outlays for education, which represent the administration for spiritual development. The expenditures for colonial affairs show the total of appropriations for Taiwan, Chosen, Kwantung Leased Territory in China, and Karafuto. The effects of the war on these expenditures showed an advance, as a matter of course, in those items which were directly connected with the events of the war, and a considerable reduction in other items.

We shall first consider the expenditures for peace preservation. The ordinary appropriations for foreign affairs and for other important organs of the state rose in amount, those for home and judicial affairs diminished, while there was no change in the civil list. The ordinary expenditures as a whole showed a tendency to decline. The extraordinary expenditures for foreign, home, and other important administrations of the state naturally caused a substantial rise in extraordinary-affairs expenses. Ordinary temporary expenditures temporarily declined were greater than the rise in the expenditures for foreign, home, and judicial affairs as well as for other important organs of the state, so that on the whole the figures showed a decline. Thus, the aggregate of expenditures for peace preservation fell more or less, though there were complicated changes in details.

PEACE PRESERVATION EXPENDITURES, 1900–1910[a]

Fiscal year	Ordinary	Extraordinary			Grand total
		Regular	War	Total	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1900–1	25,485,558	7,546,515	....	7,546,515	33,032,073
1901–2	26,906,203	9,452,876	....	9,452,876	36,359,079
1902–3	27,769,142	10,962,279	....	10,962,279	38,731,421
1903–4	28,841,350	9,258,007	1,245,343	10,503,352	39,346,002
1904–5	27,474,033	6,127,365	3,608,898	9,736,262	37,210,296
1905–6	26,801,419	4,382,472	4,446,924	8,829,396	35,630,815
1906–7	28,204,658	7,550,396	4,565,739	12,116,135	40,320,793
1907–8	30,468,798	11,585,779	....	11,585,779	42,054,577
1908–9	31,464,161	17,212,414	....	17,212,414	48,676,575
1909–10	32,318,222	11,843,163	....	11,843,163	44,161,385

[a] Expenditures included in this table do not necessarily agree in contents with the figures given in the government's reports on settled accounts, as regards the civil list and the expenditures. For judicial affairs the amounts are the same as the figures in the reports on settled accounts. But the expenditures for foreign affairs in the above statistics represent the expenditures under the control of the Department of Foreign Affairs, with the exclusion of the expenditures for colonies, but with the addition of the expenditures of the special accounts for Japanese settlements abroad which are under our exclusive jurisdiction. The expenditures for home affairs mean the expenditures under the control of the Department for Home Affairs, with the exclusion of expenses relating to railways and of expenses other than those for peace preservation. The appropriations described as expenditures for other important organs of the state represent those expenses under the control of the Department of Finance which are appropriations for the Cabinet, the Privy Council, the two Houses of the Diet, and others.

As will be seen from the foregoing table, the ordinary expenditures gradually rose to 28,840,000 *yen* before the war, falling during the war to sums varying from 27,470,000 *yen* to 26,800,000 *yen*. Of the extraordinary expenditures, regular expenses, which ranged from 7,540,000 *yen* to 10,960,000 *yen* before the war, decreased to amounts from 9,250,000 *yen* to 4,380,000 *yen* during the war. There were, however, war expenses reaching 1,240,000 *yen* to 4,560,000 *yen*. The extraordinary expenditures as a whole showed more or less decline, totaling from 12,110,000 *yen* to 8,820,000 *yen*. The grand total of expenditures for peace preservation, which advanced from 33,030,000 *yen* to 38,730,000 *yen* before the war, saw a diminution during the war, falling to the figures from 35,630,000 *yen* to 40,320,000 *yen*.

The expenditures for developmental administration also declined, having been influenced by the necessity of raising war funds. Of ordinary expenditures, the appropriations for communications had their tendency to increase arrested, if

the amount was not actually curtailed, on account of the war-time need of communications, while the expenditures for education showed a decrease all round. In extraordinary expenditures, though various items of extraordinary-affairs expenses went to swell the appropriations, a large reduction in regular expenses had the opposite effect, resulting in a considerable decrease in the total of these expenditures. The expenditures for communications showed the largest decrease in regular items, recording, however, the largest increase in extraordinary-affairs items. The increases or decreases in appropriations for agriculture and commerce as well as for education were comparatively slight, both in ordinary and in extraordinary items. Thus, the expenditures during the war for developmental administration somewhat declined in ordinary items, sharply decreased in extraordinary items, and more or less sharply decreased in the total amount.

DEVELOPMENTAL ADMINISTRATION EXPENDITURES, 1900–1910 [a]

Fiscal year	Ordinary	Extraordinary			Grand total
		Regular	War	Total	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1900–1	25,068,073	17,035,257	....	17,035,257	42,103,330
1901–2	27,258,288	16,179,029	....	16,179,029	43,437,317
1902–3	28,246,165	17,985,661	....	17,985,661	46,231,826
1903–4	29,659,376	19,095,167	9,289	19,104,456	48,763,832
1904–5	28,829,936	9,828,278	2,400,525	12,228,813	41,058,749
1905–6	28,963,782	7,757,239	4,431,845	12,189,084	41,152,866
1906–7	32,667,582	16,399,728	608,812	17,008,540	49,676,122
1907–8	35,903,342	22,641,761	....	22,641,761	58,545,103
1908–9	39,294,071	28,041,938	....	28,041,938	67,336,009
1909–10	41,671,136	26,965,650	....	26,965,650	68,636,786

[a] The above statistics represent the expenditures of the general accounts coming under the control of the Departments of Education, Agriculture and Commerce, and Communications, excluding expenditures foreign to the purpose of this table, but adding some items of other kinds of expenditures which ought to be included here, as well as the expenditures for schools and libraries, which were handled in the special accounts.

As indicated in the above table, the ordinary expenditures for developmental administration, which reached 29,650,000 *yen* before the war, decreased during the war to amounts from 28,820,000 *yen* to 28,960,000 *yen*. The extraordinary

expenditures fell suddenly, in the regular items, to sums ranging from 9,820,000 *yen* to 7,750,000 *yen*, as against 19,090,000 *yen*, the highest figure attained before the war, while the annual amounts of war expenses were only from 600,000 *yen* to 4,430,000 *yen*. Consequently, the extraordinary expenditures were reduced to aggregates ranging from 12,220,000 *yen* to 12,180,000 *yen*.

Thus the grand total of expenditures for developmental administration, which had reached 48,760,000 *yen*, fell to sums varying from 41,050,000 *yen* to 41,150,000 *yen*.

Finally, the expenditures for colonial affairs consisted exclusively of appropriations for Taiwan before the war (fiscal year 1903–4 and before), but during and after the war new expenditures had to be defrayed for Chosen, the Kwantung Leased Territory in China, and Karafuto. These expenses were disbursed as part of extraordinary-affairs expenditures, from the outbreak of the war down to the fiscal year 1907–8, when the colonial administration was consolidated and appropriations made, resulting in a large increase in the amount. Examination of the changes in colonial expenditures during the war discloses that the ordinary expenditures (for Taiwan), instead of being affected by the war, on the contrary, underwent an increase. Of the extraordinary expenditures, the regular item (for Taiwan) showed a more or less remarkable decrease as the effect of the war, while the war expenses reached a comparatively large sum. Therefore, the total colonial expenses during the war showed a more or less substantial increase. (See table at the top of the next page.)

No appreciable change occurred during the war in the ordinary expenditures, which varied from 11,990,000 *yen* to 14,840,000 *yen*. The extraordinary expenditures decreased to between 7,460,000 *yen* and 4,490,000 *yen* in regular items, while there was an increase in war expenditures from 3,290,000 *yen* to 4,260,000 *yen*, so the total rose to sums varying from 7,780,000 *yen* to 11,720,000 *yen*. Thus, the colonial expenditures during the war expanded, reaching 20,970,000 *yen* to 22,630,000 *yen* in the grand total.

EXPENDITURES FOR COLONIAL AFFAIRS, 1900–1910 [a]

Fiscal year	Ordinary	Extraordinary			Grand total
		Regular	War	Total	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1900–1	11,693,474	9,442,104	....	9,442,104	21,135,578
1901–2	11,273,305	7,526,683	....	7,526,683	18,799,988
1902–3	10,339,871	7,434,001	....	7,434,001	17,773,872
1903–4	11,490,835	6,652,036	....	6,652,036	18,142,871
1904–5	11,991,540	5,651,111	3,330,000	8,981,111	20,972,651
1905–6	14,847,903	4,490,709	3,294,545	7,785,254	22,633,157
1906–7	20,986,416	7,461,244	4,267,119	11,728,363	32,714,779
1907–8	30,590,086	24,853,295	496,433	25,349,728	55,939,813
1908–9	31,502,132	28,560,475	....	28,560,475	60,062,607
1909–10	31,219,095	20,761,599	....	20,761,599	51,980,694

[a] The figures in this table represent all the expenditures for the colonies, including the funds for the Government General of Taiwan and for the supplies to the government railways in Taiwan, funds created in 1906–7 for the Chosen railways and their supplies, expenditures of the special accounts created in the next fiscal year (1907–8) for forestry in Chosen, the Government General of Kwantung, and the government in Karafuto, as well as other colonial expenditures (under the control of the Foreign, Finance, and Communications Departments) belonging to the general accounts. As regards the distinction between ordinary and extraordinary expenditures, items not formally classed as one or the other in the budget are all treated as ordinary. However, the expenditures belonging to the department of capital in the special account for Chosen railways, which were appropriations for the construction and improvement of railways, are classed as extraordinary; for the same reason, the expenditures for the construction and improvement of railways in the special account for the Government General of Taiwan are treated as extraordinary.

It will be understood from the foregoing descriptions that the changes wrought in our annual expenditures as effects of the Russo-Japanese War were by no means slight. During the war the expenditures not connected with the campaign showed a reduction, while the war expenses reached an enor-

ANNUAL EXPENDITURES, 1900–1910

Fiscal year	Ordinary	Extraordinary			Grand total
		Regular	War	Total	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
1900–1	209,548,180	144,983,851	....	144,983,851	354,532,031
1901–2	226,710,759	106,767,477	....	106,767,477	333,478,236
1902–3	233,568,351	95,313,842	....	95,313,842	328,882,193
1903–4	245,299,937	77,928,110	161,627,734	239,555,844	484,855,781
1904–5	230,200,560	53,081,794	779,169,118	832,250,912	1,062,451,472
1905–6	311,495,488	39,710,833	511,843,711	551,554,544	863,050,032
1906–7	475,870,856	65,132,277	263,802,886	328,935,163	804,806,019
1907–8	583,086,883	200,719,730	13,610,695	214,330,425	797,417,308
1908–9	631,011,894	235,532,628	....	235,532,628	866,544,522
1909–10	607,030,085	167,461,491	....	167,461,491	774,491,576

mous amount, inflating our annual expenditures to a very great extent. The war caused a sharp increase in the expenditures for financial affairs, especially in those for national debt and pensions, which continued to press on our public finance for a long time, interfering with the execution of programs which became necessary for keeping pace with the development of our national power. The foregoing table shows the traces which the Russo-Japanese War left on the general structure of our annual expenditures.

Taxes and Other Duties

We must now inquire into the effects of the war on annual revenues, since we have already dealt with the changes wrought in annual expenditures. As was noted in earlier pages, the greater part of the expenditures for carrying on the war with Russia was raised by loans and increase of taxation, so it need hardly be said that this brought about violent changes in the conditions of our public debt and taxation. We propose to consider in this section the effects of the war on taxes and other duties, and in the next section the effects on public debt.

As was already noticed, in the fiscal years 1904–5 and 1905–6, a very large increase of taxation was adopted twice relating to practically all sorts of existing taxes, besides the creation of new taxes of importance. The result was that our tax revenues (including stamp revenues and profits from monopolies) so sharply increased that after the war the receipts were far more than twice the amount before the war. Our system of taxation had made considerable growth in volume through important increases in and creation of several taxes carried out from time to time after the war with China (1894–95). In 1893–94, the fiscal year preceding this war, the tax revenues of Japan totaled only 72,000,000 *yen*, while the amount for 1903–4, the year previous to the outbreak of the Russo-Japanese War, reached 175,500,000 *yen*. Thus, the tax revenues advanced some two and one-half times in ten years preceding the war with Russia. Again, the tax revenues

more than doubled as a result of the increased levies imposed for financing the war with Russia. Therefore, in thirteen years, from 1893–94 to 1906–7, the tax revenues advanced more than four and one-half times. The volume of national income, on the other hand, expanded more than four and one-half times in the ten years before the war with Russia, so that it appears that the additional taxation enforced during this war was no intolerable burden on our national economy, though undoubtedly it was sudden and serious enough. It must be noted, however, that while the frequent increase of taxation carried out before the war had begun to disturb the unity in our system of taxation, the large increases imposed after its outbreak threw the whole system, disorganized already, into a state of greater confusion. As a consequence, the distribution of fiscal burdens became more and more unequal, beginning to tell on the people as a heavy exaction. We shall now classify the taxes into three groups, *i.e.*, taxes on receipts, taxes on consumption, and taxes on traffic, and study the changes in the fiscal burden brought about by the additional taxation during the war.

Taxes on receipts

In our system of taxation, the taxes on receipts comprise the land tax, the business tax (including the patent-medicine tax and the mining tax, which are special business taxes), and the income tax, all of which were increased on account of the war.

The land tax is an old institution, the rate in former days being "four-tenths to the government and six-tenths to the people." They were accustomed to this rate and it was felt as a comparatively light burden. This fact had invited frequent increase in the land tax. Moreover, agriculture in this country had nearly reached the limit of intensive cultivation, leaving small room for further development. Due to these circumstances, the opportunity of increasing this tax was limited. On the contrary, the income and business taxes, which were created after the Imperial Restoration of 1868, had am-

ple room for growth through the development of trade and industry. It is evident, therefore, that even if these taxes were increased at a uniform rate each of them would show a different rate of increase in revenue. Inquiry into the conditions of taxes on receipts during the war discloses the fact that, as regards the land tax, the import duties on rice, hulled and unhulled, as well as the high price of this and other cereals, gave protection to payers of the land tax, which circumstances served to prevent a decrease of revenues from this source. But, on the other hand, the termination in 1904–5 of the temporary increase of the land tax enforced before the war resulted in a direct diminution in receipts from this tax. Moreover, good crops in 1904 indirectly increased the yield from the principal and additional rates of the land tax, while bad crops in the following year had an adverse effect on the yields from this source. In the final result, the revenue from the land tax showed the smallest percentage of increase. However, the case was different with the income and business taxes; for though the war dealt a heavy blow to industries not connected with the war-time demands, it had a very favorable effect on other industries, and our industry and commerce as a whole was never in a state of depression during the war. Consequently, the revenues from these sources recorded a large proportion of increase. The percentages of increase in yield from taxes on receipts, as well as the relations of the principal and additional parts of these taxes, are indicated in Table A at the end of this chapter.[1]

Taking as 100 the yields of different taxes on receipts in 1903–4, the fiscal year preceding the war, the percentages of the rise in revenues for the four succeeding years were, as the above table shows, 30, 71.6, 80.2, and 81.2 for the land tax; 72.4, 159, 174.4, and 185.3 for the business tax; and 74.2, 182.2, 219.3, and 230.9 for the income tax. The three taxes on receipts taken as a whole for these years averaged 41.1, 97.1, 110.4, and 113.8 per cent. As regards the proportions of the principal and increased parts of these taxes, the latter

[1] *Post*, pp. 154–5.

occupied roughly 40 per cent as against 60 per cent of the former in the fiscal year 1904–5 (as the result of the first increase of taxation), while the proportion in the following years was 60 per cent of the increased parts as against 40 per cent of the principal parts (as the result of the first and second increase of taxation). Thus, the yields from the additional rates of the taxes became far larger than the amount from the principal rates. Therefore, our revenues from receipt taxes far more than doubled as the result of the war-time increase of taxation. The *per capita* burden of receipt taxes was 1.303 *yen* in the fiscal year previous to the war. The tax increases added to it 0.714 *yen*, 1.454 *yen*, and 1.555 *yen* in the three following years, so that the burden *per capita* successively rose to 1.849 *yen*, 2.522 *yen*, and 2.648 *yen*, or more than twice the amount before the war.

In short, the war-time increase of taxes on receipts came to represent 60 per cent of total revenues from these taxes. This was certainly a very sudden and heavy increase of burden. We must consider, therefore, what changes the increased taxation produced in the taxes on receipts. The land valuation, which forms the basis of assessment for the land tax, was determined in 1884. During the twenty years that had elapsed after this date, the utility of land underwent a remarkable change with the development of national economy. As a consequence, there was a general and extraordinary rise in land value, though the extent of the rise was different in different localities. But the same rate of land tax remained in force, which meant a comparatively slight levy in some places and an intolerable burden in others. In spite of this inequality, the rate was raised, taking practically no account of these changed conditions. Hence, it cannot be doubted that the inequality in the burden of this tax became very serious.

The business taxes, which are placed on the income from business as the land tax is levied on income from land, were assessed, for the sake of convenient collection, on the conditions of various businesses and not on income from them. In

other words, of the amount of sales, the amount of capital, the amount of contract or remuneration, the amount of rentals for buildings, and the number of persons employed in the business, two or three of the items were taken together and were made the basis for assessment. Moreover the rate was uniform for all sizes of business, but different according to kinds of business. Therefore, the amount of the tax did not agree with the income, which generally represents the efficiency of business, but was heavy for a small business and light for a large one, heavy for some kinds of business and light for other kinds. However, it would be wrong to pass an unqualified condemnation upon this system of business tax, for it would be an extremely difficult and almost fruitless task to attempt to estimate the income from each particular business. When the rates of these taxes are low, their evil effects are small. But during the war with Russia the rate was raised by 150 per cent, for all sorts of business taxes without distinction, which at once made them an unjust and heavy burden.

As regards the income tax, it was raised at a uniform rate in the first tax increase. In the second tax increase, however, the rate was graded in consideration of the ability to bear the burden. As a result of these war-time increases, the rate of tax A of the first class was raised by 252 per cent of the principal rate, that of tax B of the same class by 180 per cent to 500 per cent, while the third-class income tax rose by 200 per cent to 370 per cent. Moreover, no small amount of injustice was done in not raising the rate of levy on the second-class income, that is, interests on national bonds (and company debentures), though this was due to the government's policy to uphold the value of war bonds. When we consider the burden of the whole taxes on receipts, we can not doubt that the charge grew very heavy for the owners of land and those engaged in business, because they had to pay the increased income tax, besides the land and business tax, which were abruptly increased at the same time.

We have already noticed how great was the extent of the increase of taxes on receipts, and must now recognize that the

increase of taxation necessitated by the war proved an occasion of a far-reaching change in the condition of the levies on receipts. Since these taxes are designed to be placed on the receipts, especially the income, of the individuals, the so-called income tax must theoretically form the basis, the land and business taxes being imposed to supply its deficiencies. Before the Russo-Japanese War, however, the land tax still occupied its traditional position as the most important of the taxes on receipts, and the others appeared in the light of supplementary levies. In consequence of the economic changes from the opening of the war, and in proportion to the economic development, income and business taxes made a striking growth and attained the status of independent taxes, in comparison with the land tax, which had small room for growth.

Taxes on consumption

Of the taxes on expenditure or consumption, the tax on *sake*, the tax on soy, the consumption tax on sugar, the hunting-license tax, and customs duties had their rates increased, as already stated, while the consumption taxes on textiles and on petroleum were newly created. At the same time, the government manufacture and monopoly of tobacco and monopoly of salt were inaugurated. Thus, all the important taxes on consumption were either raised in their rate or newly created.

As the more important of the taxes on consumption have the necessaries or semi-necessaries of life as the object of taxation, and are charged according to the quantity consumed, regardless of the ability of taxpayers to bear the burden, the incidence of consumption taxes naturally falls upon the lower classes, so that, from the nature of the levies, the rate of these taxes cannot be raised so high as in the case of other taxes. In the general war-time increases of taxation, however, the rates of consumption taxes were unavoidably raised to a considerable extent. In Table B at end of this chapter[1] is shown the upward movement in the revenues from consumption

[1] *Post*, pp. 156–7.

taxes, distinguishing the principal and additional rates of these taxes.

Comparing the revenues from these sources for each successive year during the war with the amount for 1903–4, the year preceding the war, we notice that as against 53,120,000 *yen*, the amount before the war, the tax on *sake* rose to 58,750,000 *yen*, 59,570,000 *yen*, and 71,100,000 *yen*, of which the increase of the rate contributed 11 per cent in 1905–6 and 12 per cent the next year. From 3,540,000 *yen*, the tax on soy advanced to 5,100,000 *yen*, 5,270,000 *yen*, and 5,600,000 *yen*, of which the increased taxation was responsible for 27 per cent, 33 per cent, and 31 per cent, respectively. The consumption tax on sugar, which was 6,940,000 *yen* before the war, swelled to 8,360,000 *yen*, 11,340,000 *yen*, and 16,150,000 *yen*, of which 23 per cent, 59 per cent, and 62 per cent were represented by the increased taxation. The profit from the tobacco monopoly, which stood at 14,890,000 *yen* before the war, advanced to 27,460,000 *yen*, 33,600,000 *yen*, and 32,570,000 *yen*, the percentage represented by the increased rate being 33, 45, and 45, respectively. The custom duties rose from 17,370,000 *yen* to 23,150,000 *yen*, 36,750,000 *yen*, and 41,850,000 *yen*, of which 10 per cent, 33 per cent, and 42 per cent were taken up by the rate increase.

As regards the newly created taxes, the consumption tax on textiles yielded 5,490,000 *yen*, 17,800,000 *yen*, and 18,830,000 *yen*, the consumption tax on petroleum yielded 1,880,000 *yen*, while the salt monopoly yielded 7,200,000 *yen* and 12,330,000 *yen*. The total revenues from consumption taxes advanced from 97,730,000 *yen*, the amount before the war, to 132,330,000 *yen*, 174,020,000 *yen*, and 201,520,000 *yen*, of which the increased taxation contributed 17 per cent, 38 per cent, and 42 per cent, respectively. The *per capita* burden of consumption taxes, which was 2.019 *yen* in the year preceding the war, increased during the war to 2.719 *yen*, 3.527 *yen*, and 4.014 *yen*, the sums represented by the increased rate being 0.458 *yen*, 1.366 *yen*, and 1.670 *yen*. From the above it would appear, so far as figures go, that the increase of consumption

taxes was not so heavy as in the case of taxes on receipts. But when it is remembered that the burden of consumption taxes falls primarily upon the lower classes, who have small ability to bear taxation, the conclusion is that the increased burden was heavier in the case of consumption taxes than in that of taxes on receipts.

Taxes on transactions

As regards taxes on traffic, the registration tax, stamp duties and other stamp revenues, and the exchange tax were raised, while the transit duties and inheritance tax were newly created. Table C at end of this chapter[1] shows the taxes for the years 1903–8.

As set forth in the foregoing pages, the revenues from the war-time increases of taxation represented some 50 per cent of the total tax revenues. Of the incomes from taxes on receipts, 60 per cent came from the rate increases, while the rate increases contributed 40 per cent of the incomes in the case of taxes on consumption and taxes on traffic. The war-time increase of taxation was the heaviest on the receipt taxes, while it was light on the taxes on consumption and communications and acts. However, when the question is considered from the viewpoint of tax-bearing ability, apart from mere figures, the 40 per cent of increased consumption taxes, which fell on the lower classes with no property, was by no means light, but, in comparison, was much heavier than the 60 per cent of the increased taxes on receipts, which fell primarily on the well-to-do classes. When the growth of tax revenues is considered, comparing the index numbers before the war with those after the war, it is found that as against 207, to which the total tax revenues rose in 1906–7, the yields from taxes on receipts recorded 210.3 in the same fiscal year, which was a very small rise considering the heavy increase imposed—a rise not much different from the same recorded by the other groups, namely, the taxes on consumption and taxes on com-

[1] *Post*, p. 158.

munications, which reached 206.1 and 200.3 respectively. In other words, the advance in the yields from consumption and communication traffic taxes was quite large, in spite of the smaller rates of taxation, as compared with the taxes on receipts.

As shown in the following table of comparisons of different groups of taxes, the percentage for taxes on receipts reached the highest point during the war and declined after the war. This was due to the circumstance that during the war such industries saw temporary prosperity as they were stimulated by the war, while they returned to their former conditions on the restoration of peace. On the contrary, the consumption and traffic taxes diminished in revenues during the war and increased after the war. This result was caused, in the case of the former, by the high prices, as well as the practice of thrift, which were induced by the war-time increase of taxation, etc., and which prevented the increase of the purchasing power of the people, while in the case of the latter general transactions were restricted on account of the war.

PERCENTAGE OF INCREASE AND DECREASE OF CONSUMPTION AND TRAFFIC TAXES, 1903–1908

Kinds of taxes	1903–4	1904–5	1905–6	1906–7	1907–8
Taxes on receipts	36.1	37.2	38.7	36.7	34.6
Taxes on consumption	55.6	55.2	53.9	55.3	56.6
Taxes on traffic	8.3	7.6	7.4	8.0	8.8
Total	100.0	100.0	100.0	100.0	100.0

INFLATION OF THE NATIONAL DEBT

Public loans

The public loans raised to finance the war with Russia reached the aggregate of 1,584,000,000 *yen*. Besides, there was no small amount of floating debt, such as temporary borrowings, Treasury bills, and war tickets, made or issued from time to time to fill up temporary deficits in the expenses.

The total amount of public debt, excluding Treasury bills and temporary borrowings, was only 530,000,000 *yen* before the war (at the end of the fiscal year 1902–3). Of this amount, the war loans floated for armament expansion and war purposes were 200,000,000 *yen*, the industrial loans for railway construction and other purposes 113,000,000 *yen*, the loans for the consolidation of national debt and other financial readjustment 176,000,000 *yen*, while other loans for altering the administrative system and for the administration and development of new colonial possessions were 41,000,000 *yen*. But the issue of large war-time loans during the Russo-Japanese War wrought a complete change in the conditions of our public loans. After the war the debt rose to a total of 2,420,000,000 *yen* (at the end of 1906–7 fiscal year), which was much more than four times the figure before the war. Of this sum, the war loans represented 1,588,000,000 *yen*, the industrial loans 134,000,000 *yen*, the finance readjustment loans 660,000,000 *yen*, and other loans 38,000,000 *yen*.

The war loans occupied only about two-fifths of the total public debt in the pre-war time, while after the war they came to represent some two-thirds of the whole amount. The finance-readjustment loans also increased to the amount above

PUBLIC DEBT, 1902–1908 [a]

Fiscal year	Amount of public debt at fiscal year end: Total	Amount of public debt at fiscal year end: Amount per capita	Annual amount of interest: Total	Annual amount of interest: Amount per capita	Average annual amount of interest on public debt per 100 yen	Population
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	
1902–3	530,180,811	10.854	25,324,259	0.518	4.814	48,837,823
1903–4	635,939,871	12.825	30,623,185	0.616	4.846	49,585,337
1904–5	1,436,949,177	28.689	72,365,938	1.445	5.049	50,087,918
1905–6	2,242,001,372	44.262	109,323,845	2.158	4.884	50,653,478
1906–7	2,420,265,082	47.308	116,779,482	2.283	4.832	51,160,039
1907–8	2,254,346,452	43.491	106,338,374	2.052	4.723	51,835,096

[a] This table is based on the *Annual Report for 1909–10 of Statistics of National Debt.* Treasury bills and temporary borrowings are not included.

mentioned as a result of the conversion and consolidation of war-time loans. With this rapid increase of public debt, the annual amount of interest to be paid advanced greatly, aggregating over 116,000,000 *yen* against 25,000,000 *yen* before the war.

It may easily be seen from the foregoing table how great was the influence exerted on the conditions of our public debt by the issue of war loans during the Russo-Japanese War. The average *per capita* amounts of the total debt and of the annual interest therefore were about 10.854 *yen* and 0.519 *yen*, respectively, before the war, which increased to 47.308 *yen* and 2.283 *yen*, respectively, after the war. The war loans issued at a high interest rate (6 per cent) caused a rise in the average rate of interest on public loans, the payment per 100 *yen* coming up to the maximum of 5.049 *yen* against 4.814 *yen* before the war. These figures are based on the *Statistics of National Debt*, compiled in 1907–8.

Inquiring into the details of public debt, we note that the domestic loans, which amounted before the war to 432,000,000 *yen*, advanced to 1,049,000,000 *yen* after the war. Of the latter figure, the bonds represented 584,000,000 *yen*, or over half the amount. The foreign loans, which were only 98,000,000 *yen*, now increased to 1,370,000,000 *yen*, including war loans of 1,269,000,000 *yen*. Thus, the war loans took up practically the whole of the foreign loans. The total amount of public debt, which was only 530,000,000 *yen* before the war, increased to 2,420,000,000 *yen*, of which 1,628,000,000 *yen*, or by far the greater part of the total debt, was represented by war loans. See Table D at end of this chapter.[1]

Thus, about four-fifths of the public debt before the war came under domestic loans, while, with the inflation of national debt after the war, foreign loans increased to one and one-half times the former figures. Consequently, more than half of the interest on public loans was paid to foreign countries. Our financial and economic conditions thus became very closely connected with those of the creditor countries, so that

[1] *Post*, p. 159.

they began to be immediately affected by the changes in the economic situation in Europe and America.

Treasury bills and temporary borrowings

The national debt raised to maintain the balance of our revenues against expenditures for the Russo-Japanese War consisted of temporary borrowings and Treasury bills. Besides these, there were war tickets, which may be regarded as a sort of national debt but which it is proper to treat as circulating bills. Therefore, we shall here discuss temporary borrowings and Treasury bills only, leaving war tickets out of consideration.

As was already noticed, the temporary borrowings made for purposes of the war-time military expenditures varied in amounts from 12,000,000 *yen* to 92,000,000 *yen* in 1904, from 8,000,000 *yen* to 505,000,000 *yen* in 1905, while the amount was 77,500,000 *yen* in 1906. But what changes did these temporary borrowings for war purposes produce in the total amount of the government's borrowings? The aggregate borrowings for the year preceding the war totaled from 35,000,000 *yen* to 56,800,000 *yen*, but after the outbreak of war the amount rapidly increased, reaching 54,000,000 *yen* to 119,800,000 *yen* in 1904, 54,800,000 *yen* to 82,200,000 *yen* in 1905, 32,800,000 *yen* to 144,200,000 *yen* in 1906, which, however, declined by degrees after the war. The Treasury bills issued for purposes of the war-time military expenditures reached 10,000,000 *yen* to 100,000,000 *yen* in 1905, and 452,000,000 *yen* to 1,152,000,000 *yen* in 1906 and 33,000,000 *yen* in 1907. Thus, the issues for war purposes greatly swelled the aggregates, which came to range from 35,000,000 *yen* to 104,000,000 *yen* in 1905, from 66,700,000 *yen* to 120,700,000 *yen* in 1906, and from 48,600,000 *yen* to 98,400,000 *yen* in 1907, as compared with 10,000,000 *yen* to 20,000,000 *yen* in 1903 and 35,000,000 *yen* in 1904, the two years immediately before the war. Thus, the temporary borrowings and Treasury bills, so far as they were made or issued to supply deficits of war-time military expenditures, totaled 12,000,000 *yen* to 92,000,-

000 *yen* in 1904, 35,000,000 *yen* to 134,000,000 *yen* in 1905, 452,000,000 *yen* to 1,725,000,000 *yen* in 1906, and 33,000,000 *yen* in 1907. Consequently, these two kinds of national debt showed an extraordinary increase during the war, aggregating 64,800,000 *yen* to 154,800,000 *yen* in 1904, 908,000,000 *yen* to 1,786,000,000 *yen* in 1905, 1,042,000,000 *yen* to 243,000,000 *yen* in 1906, and 77,100,000 *yen* to 133,300,000 *yen* in 1907, as against only 45,800,000 *yen* to 76,800,000 *yen* for the year previous to the war.

We may now consider the conditions of these two kinds of public debt by the figures at the year end. As is indicated below, the amount raised for supplying deficits of the war-time military expenditures came up to 1,548,000,000 *yen* (1904) and 1,786,000,000 *yen* (1905), as against 568,000,000 *yen* for the year preceding the war. The *per capita* amount of this debt rose to about twice the sum, that is, 3.092 *yen* or 3.526 *yen*, as against 1.147 *yen*, the amount before the war.

AMOUNTS RAISED FOR SUPPLYING DEFICITS, 1903–1907 [a]

	1903	1904	1905	1906	1907
Raised for supplying deficits of war expenditures	*Yen* 7,000,000	*Yen* 92,000,000	*Yen* 134,000,000	*Yen* 48,200,000	*Yen* ....
Others.....	49,849,200	62,849,000	44,624,200	86,495,333	77,146,614
Total..	56,849,200	154,849,200	178,624,200	134,695,333	77,146,614
Per capita amount...	1.147	3.092	3.526	3.527	1.488

[a] The *per capita* amount in the above table is based on the *Statistics of National Debt*, compiled in 1907–8. But the figures for 1907 are the results of the author's own investigations.

TABLE A.—INCREASE IN REVENUE FROM TAXES ON RECEIPTS, 1903–1908[a]

Details	1903–4		1904–5		1905–6		1906–7		1907–8	
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
Land tax:	*Yen*		*Yen*		*Yen*		*Yen*		*Yen*	
Principal....	46,873,086	100	37,046,636	61	34,223,821	43	34,716,516	41	....	..
Additional...	....	..	23,893,145	39	46,249,201	57	49,920,982	59	....	..
Total.....	46,873,086	100	60,939,781	100	80,473,022	100	84,637,498	100	84,973,927	..
Percentage of increase..	....	100	....	130	....	171.6	....	180.2	....	181.2
Business tax:										
Principal....	7,981,398	100	8,526,348	61	8,570,392	41	9,241,956	42	....	..
Additional...	....	..	5,241,093	39	12,104,229	59	12,661,135	58	....	..
Total.....	7,981,398	100	13,767,441	100	20,674,620	100	21,903,091	100	22,771,518	..
Percentage of increase..	....	100	....	172.4	....	259	....	274.4	....	285.3
Income tax:										
Principal....	8,247,177	100	8,709,804	61	9,868,560	42	10,901,589	41	....	..
Additional...	....	..	5,660,129	39	13,409,817	58	15,447,150	59	....	..
Total.....	8,247,177	100	14,369,933	100	23,278,377	100	26,348,739	100	27,291,871	..
Percentage of increase .	....	100	....	174.2	....	282.2	....	319.3	....	330.9

Summary:	*Yen*		*Yen*		*Yen*		*Yen*		*Yen*	
Principal....	63,101,661	100	54,282,788	61	52,662,773	42	54,860,061	41	....	..
Additional...	....	..	34,794,367	39	71,763,246	58	78,029,267	59	....	..
Grand total	63,101,661	100	89,077,153	100	124,426,019	100	132,889,328	100	135,037,316	..
Percentage of increase..	....	100	....	141.1	....	197.1	....	210.4	....	213.8
Taxes on receipts *per capita:*										
Principal....	1.303	..	1.135	..	1.068	..	1.093	..	....	..
Additional...	....	..	0.714	..	1.454	..	1.555	..	....	..
Total.....	1.303	..	1.849	..	2.522	..	2.648	..	2.649	..

[a] The figures indicating yields from the additional rates of the taxes are taken from the *Reports on the War Finance*. The yields from the principal rates of different taxes are obtained by subtracting from the total revenues of the respective taxes the amounts of the increased parts for the fiscal year 1906–7. The population used in calculating the *per capita* amount is that at the end of each year. The same conditions apply to Tables B and C, *post*, pp. 156 and 158.

TABLE B.—INCREASE IN REVENUE FROM CONSUMPTION TAXES, 1903–1908[a]

Details	1903–4		1904–5		1905–6		1906–7		1907–8	
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
Tax on *Sake:*	*Yen*		*Yen*		*Yen*		*Yen*		*Yen*	
Principal	53,128,084	100	58,569,397	100	53,094,997	89	62,823,740	88	....	..
Additional	....	..	182,205	..	6,481,145	11	8,276,264	12	....	..
Total	53,128,084	100	58,751,602	100	59,576,142	100	71,100,004	100	78,406,323	..
Tax on soy:										
Principal	3,544,528	100	3,725,018	73	3,556,121	67	3,883,499	69	....	..
Additional	....	..	1,383,811	27	1,716,753	33	1,717,959	31	....	..
Total	3,544,528	100	5,108,829	100	5,272,874	100	5,601,458	100	5,474,691	..
Consumption tax on sugar:										
Principal	6,942,969	100	6,425,531	77	4,642,186	41	6,159,353	38	....	..
Additional	....	..	1,936,763	23	6,706,131	59	9,997,351	62	....	..
Total	6,942,969	100	8,362,294	100	11,348,317	100	16,156,704	100	16,178,234	..
Consumption taxes on textiles	....	..	5,499,348	..	17,806,291	..	18,830,464	..	19,119,635	..
Consumption taxes on petroleum	....	..	1,882,983	..	....	..	....	..	53,078	..
Profit from tobacco monopoly:										
Principal	14,898,291	100	18,532,214	67	18,444,170	55	17,894,690	55	....	..
Additional	....	..	8,929,793	33	15,157,888	45	14,679,794	45	....	..
Total	14,898,291	100	27,462,007	100	33,602,058	100	32,574,484	100	35,607,902	..

	Yen		*Yen*		*Yen*		*Yen*		*Yen*	
*Profit, salt monopoly...	....	..	....	..	7,204,451	..	12,339,247	..	13,297,846	..
*Profit, camphor " ...	273,513	..	712,609	..	743,579	..	1,163,826	..	898,165	..
*Tax on patent medicines	1,235,184	..	1,189,449	..	1,355,053	..	1,454,667	..	1,704,792	..
Tax on playing-cards...	83,605	..	108,323	..	126,019	..	143,130	..	180,955	..
Tax on hunting licenses:										
Principal.....	250,260	..	136,554	..	70,608	..	93,064	..	105,944	..
Additional.....	....	..	72,399	..	163,435	..	215,435	..	245,400	..
Total.....	250,260	..	208,953	..	234,043	..	308,499	..	351,344	..
Customs duties:										
Principal.....	17,378,303	100	20,745,732	90	24,582,998	67	24,071,820	58	....	..
Additional.....	....	..	2,413,999	10	12,174,384	33	17,781,713	42	....	..
Total.....	17,378,303	100	23,159,731	100	36,757,382	100	41,853,533	100	50,027,305	..
Summary:										
Principal.....	97,734,737	100	110,144,827	83	106,615,731	62	117,687,789	59	....	..
Additional.....	....	..	22,301,301	17	67,410,468	..	83,838,227	42	....	..
Grand total.....	97,734,737	100	132,446,128	100	174,026,209	100	201,526,016	100	221,300,270	..
Increase in receipts...	....	100	....	135.5	....	178.0	....	206.1	....	226.4
Taxes *per capita:*										
Principal.....	2.019	..	2.261	..	2.161	..	2.344	..	....	..
Additional.....	....	..	0.458	..	1.366	..	1.670	..	....	..
Total.....	2.019	..	2.719–1	..	3.527	..	4.014	..	4.341	..

[a] The asterisk (*) indicates the taxes which were not increased. The revenue from the consumption tax on sugar does not include the part collected in stamps. Of the consumption taxes on textiles, all except the charge on woolen fabrics was paid in stamps down to 1906–7; that is to say, the item for consumption taxes on textiles in regular tax revenues consisted solely of the revenue from the tax on woolen fabrics, which represented, of course, only part of the receipts from the levies on textiles. However, as the consumption taxes on textiles other than woolen fabrics amount to an important part of the receipts, we include among the consumption taxes on textiles all these taxes, taking the figures for each tax from the table of consumption taxes on textiles in the *Thirty-fourth Annual Report of Statistics*, page 704, issued by the Taxation Bureau. The item for consumption taxes on textiles for 1907–8 also includes the amount collected in stamps. The profits from the tobacco and salt monopolies are based upon the *Reports on the Finances of the Russo-Japanese War*, and the *Reports on the Finances after the Russo-Japanese War*. The amounts of stamp duties on patent medicines and the hunting-license tax are taken from the table of the patent-medicine tax, page 33, and the table of the hunting-license tax, page 35, of the annual reference tables in the *Thirty-sixth Annual Report of Statistics*, issued by the Taxation Bureau. The profit from the salt monopoly for 1905–6 includes the revenue from the salt tax.

TABLE C.—INCREASE IN REVENUE FROM TAXES ON TRANSACTIONS, 1903–1908[a]

Details	1903–4		1904–5		1905–6		1906–7		1907–8	
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
Stock-exchange tax:	*Yen*		*Yen*		*Yen*		*Yen*		*Yen*	
Principal	811,580	..	647,595	..	1,120,550	..	2,339,916	..	....	..
Additional	....	..	232,682	..	1,120,548	..	2,339,915	..	....	..
Total	811,580	..	880,277	..	2,241,098	..	4,679,831	..	3,154,929	..
Transit duties	....	..	344,305	..	2,211,869	..	2,463,801	..	2,773,550	..
Inheritance tax	....	..	....	..	629,684	..	1,405,425	..	1,822,297	..
Stamp duties and revenues:										
Principal	12,600,431	..	11,718,765	..	10,385,139	..	12,741,650	..	....	..
Additional	....	..	2,925,368	..	5,681,112	..	5,819,553	..	....	..
Total	12,600,431	..	14,644,133	..	16,066,251	..	18,561,203	..	22,914,170	..
Tax on issue of bank notes	823,603	..	1,906,234	..	2,472,089	..	1,692,285	..	3,329,916	..
Tonnage duties	*430,530	..	465,066	..	538,435	..	580,581	..	610,458	..
Summary:										
Principal	14,666,144	100	14,737,660	81	14,516,213	60	17,354,432	59	....	..
Additional	....	..	3,502,355	19	9,643,213	40	12,028,694	41	....	..
Grand total	14,666,144	100	18,240,015	100	24,159,426	100	29,383,126	100	34,605,320	..
Percentage of increase in receipts	....	100	....	124.3	....	164.7	....	200.3	....	235.9
Traffic taxes *per capita:*										
Principal	0.303	..	0.284	..	0.293	..	0.347	..	....	..
Additional	....	..	0.072	..	0.196	..	0.240	..	....	..
Total	0.303	..	0.356	..	0.489	..	0.587	..	0.676	..

[a] The item in this table comprising the registration tax, stamp duties, and other stamp revenues represents principally the so-called stamp revenues, with the exclusion, however, of the taxes collected in stamps, *i.e.*, stamp duties on patent medicines, the playing-card tax, and the hunting-license tax. While the greater part of the item consists of the registration tax and stamp duties, the revenue from various sorts of fees, as well as a small amount of revenue from the sugar-consumption tax collected in stamps, is added. An asterisk indicates the taxes which were not increased.

TABLE D.—INCREASE IN REVENUE FROM FOREIGN AND DOMESTIC LOANS, 1902–1908 [a]

Loans	1902–3	1903–4	1904–5	1905–6	1906–7	1907–8
Domestic:	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Loans connected with Russo-Japanese War	....	96,977,350	373,125,275	632,749,375	583,729,250	574,001,350
Others	432,550,811	441,332,521	458,517,902	466,980,997	465,817,253	514,643,878
Total	432,550,811	538,309,871	831,643,177	1,099,730,372	1,049,546,035	1,088,645,228
Foreign:						
Loans connected with Russo-Japanese War	....	....	507,676,000	1,044,641,000	1,269,174,379	1,054,403,024
Others	97,630,000	97,630,000	97,630,000	97,630,000	101,535,200	111,298,200
Total	97,630,000	97,630,000	605,306,000	1,142,271,000	1,370,709,579	1,165,701,224
Grand total	530,180,811	635,939,871	1,436,949,177	2,242,001,372	2,420,256,082	2,254,346,452
Total foreign and domestic loans connected with Russo-Japanese War	....	96,977,350	880,801,275	1,677,390,375	1,852,903,629	1,628,404,374
Total of other loans	530,180,811	538,962,521	556,147,902	808,685,997	1,035,976,453	1,094,566,078

[a] This table is based upon the *Annual Report for 1907–8 of Statistics of National Debt.* The second 4 per cent sterling bonds of 244,075,000 *yen* (1905–8) and 5 per cent sterling bonds of 224,549,000 *yen* (1906–8) were both consolidated loans in reality, but the former having been issued for the conversion of the first and second issues of our exchequer bonds, and the latter for the conversion of the first and second 6 per cent sterling bonds, they are included among war loans in this table.

CHAPTER III

EFFECTS ON MONETARY CIRCULATION

General Remarks

Through the outbreak of the Russo-Japanese War, a large sum of foreign capital suddenly flowed into our country, while an amazing amount of funds was also raised from various sources at home. These funds were redistributed at home and abroad through the channel of military and administrative expenditures. This stupendous movement of capital caused from time to time changes of varying importance in the money market. Taking a general view of this movement of capital due to the war, the fund for the war-time military expenditures, amounting to 1,721,000,000 *yen*, and the fund for the war-time administrative expenditures, amounting to 221,000,000 *yen*, with the aggregate of 1,942,000,000 *yen*, were raised to meet the requirements of the war. Of this sum, 1,730,000,000 *yen* was actually disbursed as war expenditures, namely, 1,509,000,000 *yen* as war-time military expenditures and 221,000,000 *yen* as war-time administrative expenditures. The period of time during which the movement of capital continued was, roughly speaking, from October, 1903, to July, 1907, though, of course, it was most active during the war time.

Before entering upon the main subject, we must study the dynamic condition of the capital absorbed as war funds from the money market, directly or indirectly. The chief sources of revenue for the war funds, as we have seen before, were the revenues from public loans and tax increases, and the transfer from the general accounts. Other sources were the special-accounts funds, the contributions to the war funds, the income from the sale of government properties, the receipts from transportation, and special and miscellaneous revenues. In addition, there was the surplus and increase of revenue in the general accounts. Besides, the deficits of these funds were made

up by the issue of the Treasury bills, temporary borrowings from the Bank of Japan, accommodation from one item to another in the Treasury finance, and the issue of war tickets. These items of revenue wrought diverse effects on the money market, according to their nature. The special-accounts funds, the accommodation from one item to another in the Treasury finance, and the surplus and increase of revenue in the general accounts, however, had no direct effect on the money market, as they did not draw funds from it. The revenues from the issue of public loans, the tax increases, the issue of the Treasury bills and temporary borrowings from the Bank of Japan exerted the greatest influence on the monetary condition.

There was a difference in the effects on the money market of Japan between the importation of foreign capital and the absorption of domestic funds for supplying the war needs. The latter naturally caused a scarcity of capital and more or less stringency in the money market by suddenly diverting a huge amount of funds from industrial circles. If there had been no other circumstance to relieve the situation, a blow would have been dealt to all new enterprises, at least for a time, and also a stiffening of monetary circulation would have resulted from an abrupt change in the demand for goods, which must cause the collapse of a part of the country's industry. Fortunately, however, the foreign loans counterbalanced the above-mentioned tendency, and when the funds raised at home began to be scattered among the people as war expenditures the blow to the domestic industry proved comparatively slight. The imported capital lightened the pressure on domestic funds and prevented the outflow of specie for the purchase of military supplies from abroad. Moreover, the amount of currency circulating in the country was augmented, which not only made the circulation of capital easy, but also inspired the general industrial world with a new spirit of activity and stimulated a fresh demand for capital.

The receipts from foreign loans and their monthly amounts were as follows:

STERLING BONDS, JUNE, 1904–JANUARY, 1906

Issue	Date	British currency	American currency	German currency	Total in Japanese currency
		Pounds	*Dollars*	*Marks*	*Yen*
First.....	June, 1904	4,150,000	....	....	40,040, 201
	July, 1904	2,500,000	....	....	24,120,603
	Aug., 1904	2,350,000	....	....	22,673,367
	Total.....	9,000,000	....	....	86,834,171
Second.....	Dec., 1904	1,275,000	2,875,691	....	18,001,588
	Jan., 1905	1,500,000	22,472,659	....	59,016,781
	Feb., 1905	1,500,000	....	....	14,472,362
	Mar., 1905	930,000	....	....	8,972,864
	Total.....	5,205,000	25,348,350	....	100,463,595
Third.....	Apr., 1905	2,512,500	3,614,583	....	31,405,890
	May, 1905	3,000,000	3,614,583	....	36,109,408
	June, 1905	3,000,000	56,141,709	....	140,226,603
	July, 1905	2,250,000	....	....	21,708,543
	Aug., 1905	2,250,000	....	....	21,708,543
	Total.....	13,012,500	63,370,875	....	251,158,987
Fourth.....	Aug., 1905	1,675,000	4,819,444	47,035,000	47,904,671
	Sept., 1905	1,000,000	....	....	9,648,241
	Oct., 1905	1,000,000	....	43,456,250	30,150,754
	Nov., 1905	1,000,000	37,427,806	....	83,836,161
	Dec., 1905	2,000,000	....	86,912,500	60,301,508
	Jan., 1906	2,000,000	....	....	19,296,482
	Total.....	8,675,000	42,247,250	177,403,750	251,137,817

The above four foreign loans were the ones newly issued for the war, their combined face value totaling 800,000,000 *yen*. In addition, portions of the exchequer bonds of the fourth and fifth issues were sold abroad, and the foreign capital, amounting to 120,000,000 *yen*, flowed into the country. These exchequer bonds were redeemed with the fifth foreign loan of 250,000,000 *yen*, issued for consolidation in December, 1905, and paid up by the end of May, 1906. About 100,000,000 *yen* of this sum probably fell into the hands of our countrymen. The foreign capital imported by private concerns since 1905 amounted to somewhere between

50,000,000 *yen* and 60,000,000 *yen*. Altogether, the foreign capital utilized by our country during the war-time period reached to upward of 1,000,000,000 *yen*.

As for the internal funds, the public loans must first be examined. The proceeds from the first issue of exchequer bonds were received at the Treasury from April, 1904, to July, 1905; from the second issue, from July, 1904, to July, 1905; from the third issue, from December, 1904, to October, 1905; from the fourth issue, from April, 1905, to November, 1905; and from the fifth issue, from June, 1905, to February, 1906. These receipts aggregated over 434,000,000 *yen*. As already stated the exchequer bonds of the fourth and fifth issues were partly sold abroad and were redeemed by the issue of the consolidation foreign loan, thus converting an internal loan into a foreign loan soon after its issue.

EXCHEQUER BONDS AND MONTHLY RECEIPTS [a]

Date	First	Second	Third	Fourth	Fifth	Total
1904	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
April	1,747,786	....	....	....	....	1,747,786
May	6,037,530	....	....	....	....	6,037,530
June	12,470,169	....	....	....	....	12,470,169
July	13,811,103	673,819	....	....	....	14,484,922
August	6,843,131	8,615,850	....	....	....	15,458,981
September	9,427,031	12,018,327	....	....	....	21,445,358
October	18,950,495	9,635,551	....	....	....	28,586,046
November	10,180,058	8,244,020	....	....	....	18,424,078
December	8,879,786	7,075,209	1,507,044	....	....	17,462,039
1905						
January	3,393,575	6,731,877	4,385,883	....	....	14,511,335
February	265,279	8,352,670	6,741,148	....	....	15,359,097
March	496,932	15,998,204	15,873,182	....	....	32,368,318
April	20,192	10,575,800	11,041,356	2,778,295	....	24,415,643
May	5,494	2,590,475	8,590,945	15,845,535	....	27,032,449
June	2,295	435,791	14,767,392	56,614,085	4,175,102	75,994,665
July	112	23,931	5,327,279	3,775,355	7,442,078	16,568,755
August	....	....	2,889,883	5,770,185	41,460,587	50,120,655
September	....	....	147,754	4,083,871	18,198,190	22,429,815
October	....	....	25,941	1,201,114	9,494,899	10,721,954
November	....	....	....	171,069	6,267,548	6,438,617
December	13,638	....	....	....	2,812,715	2,826,353
1906						
January	....	....	....	....	30,176	30,176
February	....	57,865	21	....	85,693	143,579
March	*168,481	*47,592	59,354	....	....	*156,719
April	....	....	*68,506	31,580	....	*36,926
May	....	....	....	* 16,126	22,085	5,959
June	....	....	....	....	*4,991	*4,991
Total	92,376,125	90,981,797	71,288,676	90,254,963	89,984,082	434,885,643

[a] The receipts bearing the mark * were transferred to the miscellaneous incomes in the special accounts of the extraordinary military expenditures, as they came into the Treasury too late. Other figures represent the receipts paid in on time.

Besides the exchequer bonds, the extraordinary-affairs loans were issued after the war as a part of the funds for the war-time military expenditures. The receipts from these loans came to the Treasury from March, 1906, to March, 1907. They amounted to over 294,000,000 *yen*, of which over 189,000,000 *yen* were spent as military funds and over 105,000,000 *yen* for rewards and pensions.

MONTHLY RECEIPTS FROM EXTRAORDINARY-AFFAIRS LOANS [a]

Date	Issued as military funds	Issued for rewards and pensions	Total
1906	*Yen*	*Yen*	*Yen*
March	3,020,450	....	3,020,450
April	35,616,414	....	35,616,414
May	52,452,676	....	52,452,676
June	27,888,072	....	27,888,072
July	31,805,621	95,000,000	126,805,621
August	32,701,749	3,975,418	36,677,167
September	5,347,201	....	5,347,201
October	177,642	194,275	371,917
November	37,867	561,450	599,317
December	35,650	40,375	76,025
1907			
January	*1,911	....	*1,911
February	*17,213	663,765	646,552
March	....	4,751,520	4,751,520
Total	189,064,218	105,186,803	294,251,021

[a] The receipts bearing the mark * were transferred to the miscellaneous incomes in the special accounts of the extraordinary military expenditures, as they came into the Treasury too late. Other figures represent the receipts paid in on time. The loans for military funds were issued in accordance with the usual method, but those for rewards and pensions were issued in the form of grants. The latter, therefore, did not absorb any capital actually from the money market, but they are included in the totals of the war-time military expenditures for the sake of convenience.

After domestic loans already described, the next important channel through which home capital was absorbed for war purposes was the increase of taxes. Taxation means a compulsory and universal contribution of part of the people's incomes, which would otherwise add to their capital; in this respect, taxation differs in its effect on the money market from the issue of a loan, by which only floating capital is absorbed. The funds, therefore, which are received as taxes include many fragmentary sums which cannot form a part of the capital at

disposal in the money market, so that the effect of tax increases on the money market must only be indirect. In other words, the tax increases operate no more than as a cause contributing to prevent an increase of capital in the market. From the tax increases, as already stated, 260,000,000 *yen* were obtained in the fiscal year of 1904–5 and 148,000,000 *yen* in the following fiscal year. Their monthly receipts can be tabulated as follows:

ESTIMATED MONTHLY RECEIPTS FROM TAX INCREASES [a]

Date	First increase	Second increase	Total
1904	*Yen*	*Yen*	*Yen*
April	1,388,924	....	1,388,924
May	1,388,924	....	1,388,924
June	3,931,240	....	3,931,240
July	1,388,924	....	1,388,924
August	3,346,611	....	3,346,611
September	1,470,444	....	1,470,444
October	7,713,943	....	7,713,943
November	1,784,123	....	1,784,123
December	8,615,713	....	8,615,713
1905			
January	6,127,732	....	6,127,732
February	3,292,256	....	3,292,256
March	7,292,102	....	7,292,102
April	10,293,665 *1,839,007	1,752,519	12,046,184
May	4,110,203 *2,060,203	2,005,593	6,115,796
June	11,404,060 *10,194,060	6,891,537	18,295,597
July	5,800,719	4,526,997	10,327,716
August	4,876,908	7,390,783	12,267,691
September	3,069,658	4,737,862	7,807,520
October	7,783,304	7,929,048	15,712,352
November	3,581,432	3,661,839	7,243,271
December	11,028,936	11,180,050	22,208,986
1906			
January	6,941,909	6,426,886	13,368,795
February	5,170,960	6,197,597	11,368,557
March	8,086,449	6,994,812	15,081,261
April	7,572,873	4,433,276	12,006,149
May	1,282,091	....	1,282,091
Total	138,744,103 *76,542,224	74,128,799	212,872,902 *150,671,023

[a] The receipts of the fiscal year 1904–5 were estimated to be paid in between April, 1904, and July, 1905; and the receipts of the following fiscal year were expected to be paid in between April, 1905, and May, 1906. The side figures marked with the asterisk (*) in the above table were expected to be paid in the fiscal year 1905–6. The table is based on the *Government Report on the Finance of the Russo-Japanese War.*

Other revenues, though less important than the incomes from public loans and tax increases, were absorbed from the domestic money market between February, 1904, and July, 1907. They amounted to a total of over 50,000,000 *yen*. The details are as follows:

MONTHLY RECEIPTS FROM OTHER SOURCES OF REVENUE, FEBRUARY, 1904–JULY, 1907

Date	Contributions to war funds	Sale of government properties	Revenue from transportation	Special revenue	Miscellaneous revenue	Total
1904	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
February	58,231	9	....	....	45	58,285
March	778,848	3,177	....	....	4,321	786,346
April	267,260	6,610	....	....	2,351	276,221
May	184,506	13,295	....	....	9,492	207,293
June	93,292	51,068	....	....	5,075	149,435
July	77,945	40,150	....	4,000	100,660	222,755
August	75,415	30,389	....	....	7,257	113,061
September	39,474	31,653	....	2	11,389	82,518
October	55,788	20,477	....	....	15,516	91,781
November	19,016	33,012	....	....	37,815	89,843
December	118,438	44,658	....	....	18,111	181,207
1905						
January	23,256	69,066	....	....	44,339	136,661
February	10,503	58,698	....	....	21,150	90,351
March	151,561	66,166	....	....	1,004,093	1,221,820
April	123,382	68,610	....	19	37,331	229,342
May	81,008	55,973	....	7,757	44,501	189,239
June	8,141	73,087	....	87,935	89,667	258,830
July	10,901	91,832	....	70,898	150,890	324,521
August	9,482	87,032	....	103,431	153,998	353,943
September	32,986	81,393	....	10,815	106,190	231,384
October	3,213	142,065	....	129,606	202,770	477,654
November	2,057	238,699	....	35,557	56,527	332,840
December	34,991	365,896	....	201,997	93,993	696,877
1906						
January	12,845	929,364	28,596	40,125	408,525	1,419,455
February	2,409	909,275	253,878	8,304	357,818	1,531,684
March	6,961	1,609,911	1,053,049	74,486	382,620	3,127,027
April	4,341	1,421,086	778,054	11,597	269,029	2,484,107
May	5,088	1,648,454	628,576	1,409,291	2,405,987	6,097,396
June	5,108	2,259,483	17,769	267,580	115,538	2,665,478
July	975	1,054,460	3,484	358,116	1,819,245	3,236,280
August	2,449	800,836	79,550	21,362	293,006	1,197,203
September	229	1,299,119	116,853	37,862	211,091	1,665,154
October	617	1,159,046	1,166,197	317,312	251,877	2,895,049
November	1,913	1,101,418	507,087	56,296	383,750	2,050,464
December	657	537,385	1,598,753	80,825	1,989,218	4,206,838
1907						
January	2,573	727,665	67,440	39,323	100,326	937,327
February	205	361,000	1,503,224	63,872	1,665,364	3,593,665
March	23,550	1,373,305	1,445,134	75,841	3,007,615	5,925,445
April	886	10,282	2,406	2,107	2,057	17,738
May	18	12	28,733	....	651	29,414
June	655	....	....	....	225,581	226,236
July	....	....	....	....	741	741
Total	2,331,173	18,875,116	9,278,783	3,516,316	16,107,520	50,108,908

The grand total of the war funds, including the revenues from domestic and foreign loans, the incomes from the issue

of exchequer bonds, the transfer from the general accounts based upon the revenues from tax increases, the transfer from the special-accounts funds, as well as the contributions to war funds, the proceeds from the sale of government properties, the incomes from transportation, special and miscellaneous incomes amounted to 1,721,212,256 *yen*. Of this figure, 983,845,592 *yen* were receipts from public loans; 434,885,638 *yen*, receipts from the exchequer bonds; 182,430,129 *yen*, transfer from the general accounts; 69,311,977 *yen*, accommodation from the special-accounts funds; 2,331,176 *yen*, contributions to the war funds; 18,875,115 *yen*, sale of government properties; 9,908,784 *yen*, income from transportation; 3,516,325 *yen*, special revenue; 16,107,521 *yen*, miscellaneous revenue.

In addition to these revenues, there were 221,000,000 *yen* of the war-time administrative funds (received into the general accounts), which must be included in the war-expenditure funds. Setting aside this item for the present, we shall see in the table on page 168 the monthly receipts for the war funds as a whole and the monthly disbursements of the war-time military expenditures.

Supply and Demand of Capital

General survey

The absorption of an enormous amount of funds at home for war expenditures naturally tended to cause a dearth of capital among the people. The slump in the general economic activity due to the war, however, accompanied a fall in the demands for capital, at least at the beginning of the hostilities, which saved the money market from becoming stringent. While the national capital was increasing as the war progressed, through the encouraging of the habit of thrift, the great inflow of foreign money began in May, 1904, to swell the funds at the disposal of the country. Moreover, the issue of the exchequer bonds could be repeated without any serious effect on the market, because precautions were taken to lend sparingly and thus to increase the available funds. Simultaneously, de-

MONTHLY INCOME AND DISBURSEMENT FOR WAR, 1903–1907

Date	Income	Disbursement
	Yen	*Yen*
1903		
October	....	1,762
November	....	2,876
December	....	16,006,682
1904		
January	....	4,399,295
February	58,285	20,130,454
March	2,191,847	25,832,117
April	27,326,424	29,663,261
May	18,309,019	30,984,656
June	47,306,477	33,041,423
July	53,387,830	42,380,691
August	48,256,529	71,479,419
September	17,097,059	53,099,431
October	21,160,283	56,973,688
November	31,236,024	49,398,312
December	59,966,809	65,761,480
1905		
January	73,916,385	46,378,275
February	47,350,894	62,291,455
March	41,251,028	67,135,817
April	68,510,948	66,956,623
May	102,373,020	85,323,524
June	192,872,145	80,441,491
July	104,768,592	68,912,350
August	118,522,725	57,465,491
September	18,001,559	46,385,545
October	47,129,874	47,879,228
November	118,119,268	30,607,439
December	61,230,262	44,450,603
1906		
January	56,367,150	15,429,361
February	1,547,487	15,804,097
March	13,998,743	26,540,041
April	38,032,335	20,558,022
May	58,533,656	13,626,184
June	30,548,559	14,547,045
July	35,041,901	5,626,821
August	133,504,368	107,585,638
September	7,007,064	7,215,434
October	3,228,379	11,860,836
November	2,649,781	7,675,426
December	4,263,693	11,982,352
1907		
January	937,327	7,015,349
February	4,257,431	11,083,065
March	10,676,965	13,698,961
April	17,738	4,703,086
May	29,414	2,432,155
June	226,237	7,700,252
July	741	....
Total	1,721,212,256	1,508,472,538

posits were constantly increasing. In the meantime, activity was gradually resumed in the general industrial circles, owing to the rousing of the popular mind by the repeated triumphs of our forces, to the increase of demands for munitions and other war supplies, and to the rise in purchasing power among the people through the inflow of foreign capital. From the spring of 1905 to July or August of the same year business was prosperous, prices soared high, convertible notes were issued abundantly, loans at banks increased, encouraging brisk investment, and the money interest showed some tendency to rise. Due to our successes in war, our financial credit in the world was enhanced, so that the exchequer bonds and other negotiable instruments were purchased abroad in large amounts, thus greatly adding to the inflow of foreign capital. In the latter half of 1905, however, the disappointing peace terms were reported from America and the prospects of the rice crop were unsatisfactory, so that the demand for capital was on the decline, and there was a general depression of trade and a slackness in the money market. After November, 1905, the rate of interest fell markedly, and in 1906, though *post bellum* enterprises were put on foot in rapid succession, the conditions of monetary circulation did not improve to any appreciable degree. In 1907 the economic circles were calm at first, but due to there being no further importation of foreign capital, and to a number of bank failures after March, through a reaction to the former boom, the stringency of money reached its climax in May and June, although the newly organized corporations had been able to begin business before that.

Such general conditions of the money market resulted in changes in the rate of interest, in increase or decrease in the lending of deposit money, and affected the system of conversion. These economic phenomena will be briefly discussed.

Changes in the rate of interest

Under the circumstances mentioned above, there were fluctuations in the rate of interest, but the waves were not

very high. At the outset of the war capital at home was accumulated, though much of it was absorbed in military expenditures, and the economic stagnation encouraged no fresh investment; so the rate of interest was almost stationary, or even fell slightly on the fixed deposits throughout the country. However, as the war situation progressed, more funds were required by reviving activities of the general industrial world and by the flotation of national loans, etc. Though an enormous amount of foreign capital made its way into our country, the rate of interest had an upward tendency from June or July, 1904, to the latter half of 1905, when it reached the highest. A downward tendency was manifest in February or March, 1906, and the gradual fall continued until the first half of 1907.

To cite concrete figures, the Bank of Japan raised the rate of interest for the first time in July, 1904, after the war had been declared, next in December of the same year, and lastly in June, 1905. The combined rate increase was only 6 *rin per diem* per 100 *yen* as compared with the rate before the war. Then the rate began to fall, and it was reduced by 4 *rin* in the two changes, in March and May, 1906, as compared with the highest rate in the war time.

Date of revision	Bank of Japan interest on call loan	Discount rate	
		Bank of Japan	Other banks
	Sen	*Sen*	*Sen*
March 18, 1903	1.7	1.6	1.9
July 2, 1904	1.9	1.8	2.1
December 19, 1904	2.1	2.0	2.3
June 16, 1905	2.3	2.2	2.5
March 12, 1906	2.1	2.0	2.3
May 1, 1906	1.9	1.8	2.1

The rate of interest on deposit money throughout the country fell by .001 in and after November, 1903, so that it stood at .059 for a long time. But it rose again to .06 in April, 1904, which continued to July, 1905, when the rate

FLUCTUATION OF INTEREST, 1904–1907

Date	Throughout the country		At the Tokyo Banks Syndicate
	Interest on fixed deposit	Discount rate per diem	Interest on fixed deposit
1904	*Per cent*	*Sen*	*Per cent*
January	0.59	2.84	0.547
February	"	2.92	0.553
March	"	2.91	0.552
April	0.60	2.92	0.550
May	"	2.93	0.549
June	"	"	0.554
July	"	2.97	0.558
August	"	2.98	0.556
September	"	2.97	0.561
October	"	2.96	0.560
November	"	2.94	0.562
December	"	2.99	0.563
1905			
January	"	3.00	0.563
February	"	2.97	0.565
March	"	2.94	0.561
April	"	2.96	0.563
May	"	2.95	0.562
June	"	3.00	0.561
July	0.61	3.04	0.575
August	"	3.08	0.589
September	0.62	3.07	0.590
October	"	3.05	0.571
November	0.61	3.04	0.586
December	0.62	3.02	0.588
1906			
January	"	3.01	0.566
February	0.61	2.96	0.588
March	"	2.89	0.571
April	0.60	2.84	0.562
May	"	3.82	0.557
June	"	2.79	0.554
July	0.59	2.74	0.548
August	0.58	2.69	0.549
September	"	2.67	0.546
October	"	2.65	"
November	0.57	2.62	"
December	"	2.61	"
1907			
January	"	2.62	"
February	"	2.59	"
March	"	2.58	"
April	"	2.60	"
May	"	2.62	"
June	"	2.67	"

began to show a steady upward tendency. Once, in November of that year, it fell to .061, but in the following month the interest rose again to .062. Once more the rate became .061, in March, 1906, after which the money market gradually slackened so that the rate became .06 in April and .059 in July, finally to come down to .058 in and after August. A further fall to .057 occurred in November of the same year. The changes in the daily rate on discount went almost parallel with the figures indicated in the table on page 171.

Bank deposits and loans

First let us consider bank deposits alone. These and postal savings markedly increased despite the outbreak of hostilities, due partly to the greater thrift and diligence of the people and partly to the prosperity of those engaged in the industries which absorbed a huge amount of outlay for military supplies. The ordinary deposits at the Bank of Japan in 1903 had been 2,000,000 *yen* to 11,000,000 *yen* at every month end. After the war began they rapidly increased, so that their total at every month end was 6,000,000 *yen* to 13,000,000 *yen* in 1904; 6,000,000 *yen* to 14,000,000 *yen* in 1905; and 5,000,000 *yen* to 26,000,000 *yen* in 1906. This was partly due to the fact that large sums of war expenditures were scattered in the market and the amount returning to the Treasury was much smaller, so that the business boom could not absorb all the available capital, which was inflated through the importation of foreign money and other causes, and the monetary circulation generally slackened. The monthly amounts of bank deposits are shown in the subjoined table. These monthly amounts were subjected to abrupt changes through demands of capital for settling accounts for new enterprises. This point, however, is not important enough to be discussed here. The deposits at banks throughout the country were also on the increase. While they totaled 435,000,000 *yen* in October, 1903, 449,000,000 *yen* were attained in June, 1904; 465,000,000 *yen* in December of the same year; more than 500,000,000 *yen* in and after April, 1905; and 599,000,000 *yen* in March,

MONTHLY BANK DEPOSITS AND POSTAL SAVINGS, OCTOBER, 1903–JUNE, 1907

Date	Ordinary deposits at Bank of Japan	Deposits at other banks in important centers	Postal savings
	Yen	*Yen*	*Yen*
1903			
October	8,069,518	435,569,832	31,709,261
1904			
January	6,050,769	432,866,500	31,270,029
February	12,980,511	437,991,114	30,760,032
March	9,387,482	439,164,210	31,011,014
April	9,795,889	435,288,716	31,096,826
May	13,808,476	444,043,487	31,532,617
June	9,988,235	449,073,237	33,309,089
July	12,578,872	461,876,765	34,495,260
August	7,615,972	449,586,427	35,260,059
September	8,932,965	459,264,827	36,447,479
October	9,036,556	453,602,851	37,224,115
November	9,281,158	457,067,753	37,776,593
December	12,424,704	465,656,014	38,117,526
1905			
January	6,677,266	467,017,987	38,959,686
February	11,221,210	483,045,106	39,862,112
March	11,749,376	488,912,749	40,889,578
April	13,664,282	500,641,524	41,346,310
May	14,848,309	501,342,091	42,705,490
June	11,549,778	517,408,209	43,727,391
July	4,670,119	504,481,545	46,526,844
August	6,923,822	502,686,434	48,058,370
September	6,265,645	504,435,608	50,037,588
October	7,554,851	514,337,420	50,532,645
November	6,278,493	518,657,873	52,227,946
December	14,025,267	534,354,445	52,150,352
1906			
January	8,499,739	540,040,620	52,001,658
February	16,242,298	561,053,705	53,008,323
March	26,369,631	599,108,931	53,432,918
April	22,291,907	605,062,757	53,312,095
May	20,425,204	624,502,774	54,149,255
June	15,411,593	669,251,372	55,325,892
July	14,710,172	643,223,338	58,233,800
August	10,462,133	647,508,486	59,698,734
September	20,537,676	687,901,916	61,271,680
October	25,985,127	1,248,940,917	62,958,150
November	13,104,766	777,334,887	65,417,335
December	6,287,726	810,484,536	67,170,263
1907			
January	11,264,288	880,953,387	74,412,555
February	9,690,724	760,192,825	75,197,287
March	6,546,250	750,114,682	78,088,993
April	10,523,928	718,357,758	77,662,584
May	14,967,919	717,841,809	77,877,395
June	11,341,062	724,422,731	80,783,195

1906. Stimulated by the rise in *post bellum* enterprises, subscriptions to stocks were deposited at banks in large amounts. The deposits at banks, therefore, increased to 687,000,000 *yen* in September, 1906, an increase of 250,000,000 *yen* as compared with the returns for October, 1903. Postal savings also increased to a noteworthy extent. The details are tabulated on page 173.

Bank credits experienced a general fall at the outset of the Russo-Japanese War, as stated before, owing to the business depression and precaution in the money market. But they gradually increased later on account of larger demands for war supplies and repeated victories of our forces on land and sea, which naturally caused business activity. The amount of ordinary lending by the Bank of Japan decreased at the outbreak of the war, and the figures showed no noticeable change until November, 1904. This was due to the general wariness in the money market and to a decrease in demand for fresh capital as the war weakened the spirit of enterprise. But in December, 1904, capital was suddenly called for to purchase war supplies and to pay for anticipatory imports. From this time on an upward tendency continued more or less in the demand for capital on account of business activity. While the capital required was no more than twenty-four or twenty-five million *yen* in the beginning of the war, the amount in July, 1905, exceeded 100,000,000 *yen*. But after the following August the capital was gradually brought back to the bank, and at the year-end settlement of 1905 the bank's loans, if the amount of discounts of Treasury bills be subtracted, amounted to only 53,000,000 *yen*, a decrease of 15,000,000 *yen* as compared with the end of 1904. The recovery of capital by the Treasury was rapid in 1906, but in and after April of the same year the bank's loans slightly increased, owing to a rise in various industries. After ups and downs through 1906 the increased amount represented more than 115,000,000 *yen* at the December settlement.

Although activity still prevailed in business during 1907, no remarkable increase was recorded in the amount of the

bank's credits, as it assumed an attitude of great wariness in lending. The increase or decrease of the loans of private banks, as compared with those of the Bank of Japan, far better reflected the changing economic conditions. Soon after the outbreak of the War, that is, in March and April, 1904, private bank loans declined somewhat; but after this they steadily increased, for the reasons stated above, until they reached the climax in December of the same year. In 1905, again, the restoration of capital by these banks was slow and their loans attained the highest amount in August, when they reached the total figure of 510,000,000 *yen* at aggregate

MONTHLY FLUCTUATION IN AMOUNTS OF LOANS, OCTOBER, 1903–JUNE, 1907

Date	Ordinary loans by the Bank of Japan [a]	Loans by other banks at important centers	Date	Ordinary loans by the Bank of Japan [a]	Loans by other banks at important centers
	Yen	*Yen*		*Yen*	*Yen*
1903			1905		
October	24,194,384 (5,345,000)	449,702,594	December	119,233,187 (65,894,000)	509,142,265
1904			1906		
January	38,640,965 (5,345,000)	460,410,088	January	80,378,963 (36,769,000)	509,142,265
February	39,809,995	449,473,748	February	58,993,315 (33,304,000)	493,462,554
March	30,138,850	445,342,923	March	22,275,884 (2,757,000)	504,285,321
April	25,851,103	446,532,403	April	56,125,462 (28,367,000)	511,302,595
May	24,807,754	450,667,685	May	59,652,705 (40,387,000)	523,067,924
June	42,840,565	465,912,980	June	70,451,145 (46,630,000)	546,252,984
July	32,066,275	470,696,569	July	44,246,433 (24,193,000)	558,615,349
August	44,075,602	475,066,867	August	54,702,441 (21,814,000)	583,723,122
September	35,255,370 (3,000)	465,619,918	September	25,543,681 (596,000)	583,500,675
October	40,554,992	457,204,876	October	38,367,440 (50,000)	996,657,691
November	46,101,794 (500,000)	455,758,556	November	45,498,422 (1,485,000)	697,904,639
December	79,317,178 (11,139,500)	471,069,530	December	115,575,265 (48,262,000)	720,125,314
1905			1907		
January	71,457,696 (16,665,500)	460,843,245	January	113,061,108 (44,897,000)	829,708,959
February	52,504,206 (10,058,500)	460,843,245	February	94,243,176 (44,901,000)	696,932,576
March	69,285,151 (7,641,000)	484,067,579	March	111,594,836 (52,667,000)	704,934,985
April	72,817,404 (22,648,000)	488,011,023	April	14,893,343 (55,706,000)	696,495,304
May	74,853,901 (14,664,000)	493,065,173	May	72,158,317 (22,217,000)	685,589,774
June	85,663,537 (13,226,000)	512,304,382	June	96,077,701 (23,394,000)	713,273,648
July	100,357,361 (21,430,000)	509,256,771			
August	96,571,199 (23,821,000)	513,319,740			
September	68,251,136 (11,956,000)	501,411,205			
October	92,491,193 (41,870,000)	513,032,510			
November	80,224,430 (30,838,000)	501,608,368			

[a] The figures in parentheses show the discounted values of Treasury bills.

for the important centers of the country. A slight decrease was the next tendency, so that by March, 1906, the amount dwindled to 504,000,000 *yen*. But in the latter half of that year a sudden rise in industrial enterprise absorbed an amount of capital, in October, twice as large as that before the war. The monthly changes in the amounts of loans by the Bank of Japan and private banks at important centers of the country were as shown in the table on page 175.

Inflation of Convertible Notes and Specie Reserve

The issue of convertible bank notes was constantly on the increase during and after the war. This was partly due to the fact that bank lending for private enterprises increased as activity set in again in the business world as the war developed. The greatest causes, however, were an increase in government debts, an increase of demands for circulating capital in consequence of the issue of the exchequer bonds, and an increase in the amount of issue of the Treasury bills. The causes of the increase of convertible notes, therefore, can all be traced to the war. To cite the concrete figures showing this general trend of affairs, the issue amount of convertible notes, which averaged 200,000,000 *yen* during 1903, fell to 199,000,000 *yen* in April and May of the following year. However, after that the figure was steadily on the increase, through more borrowing by the government and the swelling of circulating capital resulting from the issue of Treasury bills. Setting aside as exceptional the amount of 286,000,000 *yen* attained at the settlement season of December, 1904, the figure was never short of two hundred and thirty or two hundred and forty million *yen*. But the amount of convertible notes circulated in Korea and Manchuria between the outbreak of the war and the end of April, 1905, is estimated to have reached 30,000,000 *yen;* therefore, those circulating in Japan did not greatly exceed the usual total. At the end of December, 1905, the issue amounted to 312,000,000 *yen;* at other month ends, however, the figures always remained between two hundred and sixty and two hundred and seventy

million *yen*. It was an increase in lending for private enterprises and in the issue of Treasury bills that kept up a steady inflation of capital among the people, which attained the total of 340,000,000 *yen* at the end of 1906 and of 318,000,000 *yen* at the end of March, 1907.

Thus, there was constant inflation of convertible notes and a steady increase in the import of military supplies, naturally tending to an outflow of specie abroad. This, of course, exposed our conversion system to increasing danger. It was placed on a more steady basis subsequently by the importation of foreign capital and by other means calculated to check the outflow of specie and to absorb more specie reserve into the Treasury. Facts confirm the statement that the outflow of specie was most marked in the early stages of the war. The reserve, which stood at 117,000,000 *yen* in December, 1903, decreased to 68,000,000 *yen* in May, 1904, so that in only five months there was an outflow of specie to the amount of 49,000,000 *yen*. If no proper measures had been taken and specie had continued to go out of the country, the foundation of our currency system would have been shaken, or at least monetary troubles would have resulted from a reduction of currency. But the danger was duly averted by the various efforts of the government, such as the importation of foreign capital, the curtailment in the amount of credit to foreign countries, and skilful use of foreign exchange. The money raised by foreign loans was used as funds for foreign exchange in the payment of credit abroad and for payment of interest on bonds in foreign countries. Besides these and other negative methods to prevent the outflow of specie, a positive measure was also adopted of buying gold bullion abroad and sending it to Japan in large amounts; silver bullion, too, was imported as material for minting *yen* silver coins and subsidiary silver pieces. The amounts of gold and silver thus imported from June 21, 1904, to March 25, 1907, were as follows:

> Fund for purchase of gold bullion, £1,1,957,267; foreign coins, $5,370,366; total in Japanese money, 29,539,310 *yen*.

Fund for purchase of silver bullion, £1,368,129; foreign coins, $676,265; total in Japanese money, 14,546,055 *yen*.
Fund for purchase of Mexican silver bullion, £596,075; total in Japanese money, 5,761,540 *yen*.

The government, moreover, tried its best to curtail the expenses to be defrayed in foreign countries, in order to economize the payment in specie as much as possible. General expenditures were curtailed of course, but those to be paid abroad, excepting the items absolutely and urgently necessary, were postponed. To attain this end the monthly amount payable abroad by each department of the government was fixed in March, 1904. In the following year, 1905, the same policy was maintained; and again in 1906, although the war had come to an end, the industrial boom, the payment of principal and interest of national loans, and *post bellum* military expenditures all still demanded an outflow of specie. As a matter of fact, the actual payment abroad always exceeded the prescribed amount. In 1904, for instance, 136,180,000 *yen* was paid, against 79,850,000 *yen* in the estimate; in 1905, 203,350,000 *yen* was paid up to the end of the year, against 94,670,000 *yen* of the first estimate, though later the revised estimate allowed 236,510,000 *yen* to be paid abroad. However, there is no doubt that such a measure of precaution resulted in restricting payment to foreign countries.

In regard to the utilization of foreign exchange for the same object, the government directed the Bank of Japan, as war became inevitable, to let the Yokohama Specie Bank buy up outgoing bills of exchange as much as possible at its offices in Japan, eventually allowing them to buy such bills even at a premium to compete with foreign banks in the country. These were placed at the disposal of the government in payment to foreign countries. Restriction was also put on the incoming bills of exchange, and thus efforts were made to accumulate funds for payment in foreign countries. In this way the government employed every possible means for the maintenance of specie reserve. The following table shows that the foundation of our conversion system was not shaken at all.

FLUCTUATION OF AMOUNTS OF CONVERTIBLE NOTES AND SPECIE RESERVE, OCTOBER, 1903–JUNE, 1907

Date	Convertible notes of Bank of Japan	Specie reserve for convertible bank notes
	Yen	*Yen*
1903		
October	209,202,336	116,491,949
1904		
January	214,597,368	105,931,908
February	221,890,400	100,931,307
March	213,149,185	92,127,709
April	199,019,965	80,821,273
May	199,977,306	68,087,262
June	232,072,757	92,793,834
July	232,766,644	109,512,477
August	240,366,435	117,292,602
September	239,964,281	110,002,095
October	240,937,503	99,157,356
November	248,069,903	84,924,654
December	286,625,752	83,581,226
1905		
January	274,855,451	119,672,141
February	263,484,047	119,560,195
March	251,202,479	102,163,093
April	238,196,171	100,274,298
May	259,733,684	127,165,929
June	265,514,474	107,733,010
July	277,300,837	112,604,902
August	263,286,209	104,443,970
September	262,690,683	104,049,187
October	268,995,347	103,985,301
November	273,557,429	102,538,840
December	312,790,819	115,595,026
1906		
January	278,999,364	124,289,999
February	262,569,040	124,574,375
March	269,091,983	122,732,662
April	259,876,022	123,723,563
May	253,618,323	144,930,983
June	274,576,279	143,621,797
July	262,545,329	143,057,585
August	293,676,425	148,335,457
September	277,502,732	146,117,316
October	285,344,857	146,411,339
November	290,525,470	145,284,369
December	341,766,164	147,202,125
1907		
January	326,806,706	148,386,606
February	319,027,012	146,108,692
March	318,732,159	144,921,302
April	299,355,568	104,222,726
May	294,202,480	139,681,024
June	332,855,906	148,081,936

CHAPTER IV

EFFECTS ON COMMERCE

General Remarks

The Russo-Japanese War had various effects on our commerce. Trade in general and domestic commerce in particular became extremely inactive immediately after the outbreak of the war. But when the first shock of war passed and as the conflict progressed, both economic conditions and the popular mind recovered their normal equanimity. Purchasing power was stimulated and increased by various circumstances, which gradually revived the home market, while foreign trade grew apace through the importation of war supplies and through the thrift and industry of the people, who were determined to bring the national struggle to a successful issue. Thus, the blow to commerce dealt by the war was not severe. The home market began to improve toward the end of the war, and rapidly developed with the recovery of peaceful demands after the war. Our foreign trade, too, though it experienced adverse fortune for a time, made marked progress throughout the war. What features of war, then, produced such commercial prosperity? This is the subject of our study in this chapter, and we shall begin with the internal trade.

Domestic Commerce

General view of the effects

Available statistics being incomplete, it is hardly possible to show in accurate figures the effects of the Russo-Japanese War on our home trade; but it is not difficult to state and explain the general trend of these effects without numerical evidence.

In a word, the domestic commerce was injured to some extent by the war, from the following causes: (1) The Russo-Japanese War was the greatest war Japan ever waged, and

Russia was a most formidable enemy for Japan at the time. The people, therefore, bent all their energies to finance the war fully, which made them exercise strict economy. Out of sympathy for their brethren at the front, they took to saving as much as possible to supply the fighters with their needs. (2) The government issued exchequer bonds and absorbed capital into the Treasury, while it put in force the extraordinary special tax law, thus adding to the people's burden directly or indirectly. (3) The government also carried out a policy of postponement or abandonment in the civil engineering and building programs already formulated. Curtailment of expenditure was effected in private concerns also, in view of the gloomy economic prospects. The natural outcome of this was that the number of persons thrown out of employment increased and a general depression of industry ensued. (4) A large part of the transportation system was turned to war purposes, the closing up of land transportation in particular greatly impeding business transactions. It was inevitable, therefore, that the internal commerce of Japan should have been more or less injured by these conditions, which are perhaps common to all wars. These injurious effects on commerce, however, were not felt uniformly throughout the period of war. The worst features of the business market lasted only a few months immediately after the opening of the war. This first shock over, various circumstances gradually mitigated the evil results and substantially helped to restore the activity of the market: (1) Popular anxiety and commercial panic gradually lessened with victory after victory of our forces on land and sea, in the wake of a signal success at Kiuliencheng on May 1, 1904. (2) The rice crop of 1904 amounted to 51,000,000 *koku* (one *koku* being equal to 4.9629 bushels), the largest harvest that was ever recorded in Japan. Nevertheless, the price of rice maintained the high average of about 13 *yen* per *koku*, so that the popular spirit and market activity began to rise by August or September of that year. In 1905 an exceptionally bad crop of rice—only 38,000,000 *koku* of actual harvest—produced the contrary effects on the market.

(3) As the war situation developed, the demand for war supplies suddenly increased, and a part of the large amount of foreign capital circulated among the people and added to their purchasing power. Owing to these causes, the domestic trade gradually approached its normal condition, and the blow dealt to it was not so keenly felt as might otherwise have been the case.

The returns of the opening and closing of shops are the only available symptoms of this general condition of commerce; so we shall turn our attention to this subject now. Though these returns can not be taken as an accurate index, we believe they indicate the essential points of the problem. Irrespective of the class of business, large shops were seldom opened and consequently seldom experienced the sadness of closing. Businesses that could be conducted without experience and with small capital, which would quickly revert to the investors, were opened most frequently. They included dealing in grains, kitchenware, confectionery, tobacco, liquors, vegetables, fruits, footgear, fish, toilet articles, cast-off clothes, and keep-

SHOPS OPENED AND CLOSED, 1902–1904

Names of revenue superintending offices[a]	1902		1903		1904		Increase or decrease in 1904 compared with 1903	
	Opened	Closed	Opened	Closed	Opened	Closed	Opened	Closed
Sapporo	4,971	4,102	5,929	4,474	5,928	6,020	− 1	+ 1,546
Tokyo	2,436	4,075	2,177	4,480	1,924	6,322	− 253	+ 1,842
Kyoto	10,396	10,071	10,429	10,539	10,194	14,222	− 235	+ 3,683
Osaka	2,123	1,956	1,938	2,475	2,830	4,400	+ 892	+ 1,925
Yokohama	164	694	314	739	329	846	+ 15	+ 107
Kobe	15,670	12,280	14,833	13,657	15,702	18,388	+ 869	+ 4,731
Nagasaki	245	261	138	307	254	454	+ 116	+ 147
Nagano	4,107	3,422	4,574	3,676	4,466	5,436	− 108	+ 1,760
Utsunomiya	4,251	3,456	4,790	6,203	4,130	6,873	− 660	+ 670
Nagoya	3,625	3,108	4,139	4,101	3,230	5,790	− 909	+ 1,689
Sendai	101	165	96	169	134	228	+ 38	+ 59
Akita	676	826	950	824	558	1,070	− 392	+ 246
Kanagawa	2,253	1,501	3,873	2,105	2,924	4,746	− 949	+ 2,641
Matsuye	314	309	245	279	113	208	− 132	− 71
Hiroshima	5,159	6,206	6,211	5,694	4,816	6,238	−1,395	+ 544
Marugame	7,656	6,254	7,937	7,247	6,982	12,000	− 955	+ 4,753
Kumamoto	1,254	1,313	1,223	1,395	826	2,378	− 397	+ 983
Kagoshima	1,611	1,671	863	1,359	882	2,078	+ 19	+ 719
Total	67,013	64,670	70,659	69,713	66,222	97,697	−4,437	+27,984

[a] Some revenue superintending offices reported only on those tradesmen who paid national taxes, while others included in their statistics both those who paid national taxes and those who paid local taxes.

ing cheap eating houses. Such small tradesmen being apt to become bankrupt through slight hitches, the closings of their businesses were most frequent. In fact, these men could open or close their shops in quick response to the ups and downs of trade, so that the statistics of their activity and inactivity might be expected to run almost parallel with those indicating the general conditions of the market. Previously to the war a large number of the farming population used to pour into the cities year after year and swell the business population of the cities, but the number of new shops began to fall far below that of closed shops after the outbreak of the war began to tell upon these tradesmen. (See table on the preceding page.)

Similar data for 1905 and later are lacking; so we must now limit our observations to the tradesmen who paid national taxes, according to the annual reports of the Revenue Bureau, in the Treasury department.

TRADESMEN PAYING NATIONAL TAXES, 1903–1907

Year	Number of tradesmen	Number of establishments	Proceeds		Rental value of buildings	Number of employees	Amount of taxes at fixed rates
			Wholesale	Retail			
			Yen	*Yen*	*Yen*		*Yen*
1903.....	318,312	319,401	1,183,722,280	535,140,125	20,791,351	629,914	3,096,347
1904.....	324,918	325,473	1,344,326,948	565,364,850	28,569,421	651,453	3,263,965
1905.....	312,091	312,613	1,234,107,617	577,456,020	28,120,564	627,252	3,235,595
1906.....	316,385	316,822	1,358,605,372	616,547,504	28,954,023	635,134	3,397,610
1907.....	328,972	329,609	1,507,154,290	622,527,347	30,819,993	657,108	3,576,512

Although the depression in 1904 as a result of the war is not visible in the above table (it must be noted that in 1904 the rental value of buildings was revised, and that, owing to the exigencies of war, the statistics for that year were carefully compiled), considerable decrease is seen in the number of tradesmen for 1905, as well as in the amount of taxes at fixed rates. But all the causes of depression above described disappeared with the restoration of peace, and the peace-time demand for ordinary commodities, which was minimized to the extreme through war, reasserted itself with marked rapid-

ity. These facts are amply attested by the figures for 1906 and 1907 in the foregoing table.

The general effects of the war on domestic commerce having thus been outlined, it now remains for us to note that these effects showed widely divergent aspects according to classes and places of business, and that these differences in effects can all be explained by the war.

Observations according to classes of business

The blow was particularly heavy on some classes of business and not at all heavy on others, and there were a few businesses that became more active through the war. Roughly speaking, the demand for luxuries greatly diminished, while that for war supplies and daily necessaries suddenly increased, so that a fresh turn was made in the relations of demand and supply. This can be ascertained by a comparative study of the prices of various commodities, but the statistics of what happened in 1904 compiled by the Revenue Bureau more directly prove this point.

(*a*) Mercantile businesses which suffered from the war were mainly the following:

(1) Cloths of all kinds. There was more or less demand for cotton fabrics and other cheap goods, some of which even rose in price to a small extent, but the demand for silk fabrics suddenly fell off and the proceeds from their sale decreased by 24 per cent.

(2) Old clothes. The proceeds decreased by some 12 per cent.

(3) Miscellaneous goods and groceries. Although the proceeds in Osaka increased by 20 per cent under special circumstances, the sale in these goods throughout the country decreased by 14 per cent.

(4) Cotton yarn. The proceeds decreased by 16 per cent on the average.

(5) Second-hand goods. According to the only available reports made by the Marugame Revenue Superintending Office, the proceeds decreased approximately by 30 per cent in the localities under its jurisdiction.

(6) Drugs and chemicals. Though the condition of

trade in military medical supplies was prosperous, the sale of chemicals used in industry fell 12 per cent.

(7) Hardware. The proceeds fell nearly 26 per cent through decrease in the making of machinery and tools.

(8) Sugar. As a result of the increase of taxation and more economical living on the part of the people, the proceeds from the sale of sugar decreased about 10 per cent.

(9) Fertilizers. Decrease of proceeds was 18 per cent, owing to the weakening of the purchasing power of farmers.

(10) Timber. Decrease in sale was 14 per cent through postponement or suspension of engineering and building work.

(11) Contract work. Decrease in the amount of contracts was 43 per cent.

(12) *Sake*. Decrease in sale was 21 per cent, because parting banquets connected with the war could not counterbalance the stringent economy of the people.

(13) Pawnbrokers. Their business declined as the economic depression made the life of the poor still harder. In consequence, pawning increased 10 per cent, but redemption decreased 20 per cent. Unredeemed goods also increased, while their sale did not make good the principal and interest.

(14) Inns. Decrease of income about 15 per cent.

(15) Restaurants. Decrease of income 32 per cent, the blow to these being most severe.

(16) The decrease in proceeds in other businesses included 23 per cent in footgear, 24 per cent in confectionery, 26 per cent in kitchenware, 29 per cent in earthenware, 37 per cent in lacquer-ware, and 17 per cent in paper.

(*b*) Businesses which were least affected by the war or which even became more prosperous were:

(1) Leathers and hides. In Osaka, the center of this trade, the sale increased nearly 63 per cent, due to large demands by the Army.

(2) Marine products. These also were largely demanded by the Army, so that in the city of Osaka alone their sale increased 67 per cent.

(3) Horses and cattle, meat, rice-straw mats and bags,

dried vegetables, and fodder sold well through the war, but the percentage of increase in their sale is not recorded.

(4) Coal. No decrease in consumption because the military use of coal was much increased.

(5) Grains. Kobe at one time became an important center for supplying the Army with food grains. The grain market there became very active and the sale increased by 43 per cent. The consumption of rice and barley by the general public was not much affected.

(6) Fuel and charcoal. No decrease in the demand for these.

(7) Kerosene oil. The proceeds from the sale of kerosene oil increased 7 per cent, owing to the imposition of consumption tax.

(8) Raw silk. Owing to a brisk market abroad, the proceeds from the export increased by 13 per cent.

This general trend of affairs underwent little change in 1905, the second year of the war. The restoration of peace produced effects exactly opposite to those mentioned above; that is to say, peace-time demands for commodities gave a new impetus to the economic world and emancipated it from the former pressure. The demands for war supplies declined rapidly, and the trade in luxuries and daily necessaries became active.

Observations according to localities

Just as the general bad effect of war upon commerce was not equally shared by different classes of business, so the effect was diversified according to differences in locality. The regions of the country, for instance, where troops were rendezvoused, war supplies accumulated, or commissariat lines passed through, greatly prospered commercially through the distribution of war funds. In marked contrast the trade in other places generally fell into a state of stagnation. During the campaign, it is true, the military authorities kept to the policy of not disturbing the equilibrium of the market throughout the country, avoiding the abnormal rise and fall of prices, by taking special care to buy the large amount of war supplies required by the stupendous national struggle from as many

centers of commerce as possible. However, this measure not being easy to put into practice, its results were perforce unsatisfactory, so that the localities not intimately connected with the supply and distribution of war supplies could not, after all, escape the fate of becoming sacrifices on the altar of war.

INCREASE AND DECREASE IN NUMBER OF TRADESMEN AND AMOUNT OF TAXES IN VARIOUS BUSINESS CENTERS, 1903–1905

Names of revenue superintending offices	1903		1904		1905	
	Number of tradesmen	Amount of taxes	Number of tradesmen	Amount of taxes	Number of tradesmen	Amount of taxes
		Yen		*Yen*		*Yen*
Sapporo	6,812	87,539	7,656	121,525	8,330	139,885
Tokyo	55,191	674,154	54,353	740,893	54,794	784,680
Kyoto	18,479	188,160	17,073	170,273	18,179	197,249
Osaka	32,827	403,286	31,972	400,717	34,756	475,337
Yokohama	16,658	182,431	16,410	192,060	17,723	210,514
Kobe	19,825	199,917	18,792	200,329	20,164	223,927
Nagasaki	6,523	67,259	6,796	77,014	7,569	78,751
Nagano	20,512	139,660	19,188	129,428	18,659	133,618
Utsunomiya	20,773	152,907	19,854	160,066	19,874	173,706
Nagoya	34,524	319,199	33,062	302,818	34,908	341,970
Sendai	11,129	92,293	10,905	95,507	11,022	97,101
Akita	7,349	63,271	7,138	62,015	7,404	65,137
Kanazawa	14,166	116,926	14,433	130,821	15,421	140,963
Matsue	4,521	30,166	4,480	30,183	4,854	33,892
Hiroshima	15,822	124,711	16,386	153,008	17,562	153,308
Marugame	13,524	100,734	12,972	99,146	14,273	120,191
Kumamoto	15,445	119,697	15,775	134,656	18,612	167,452
Kagoshima	4,232	34,028	4,306	35,127	4,368	38,823

In 1905, as compared with 1903, there was a sharp increase both in the number of tradesmen and in the amount of taxes in the two jurisdictions of Hiroshima and Nagasaki, besides Sapporo, where exceptional circumstances obtained. This happened because these two districts comprised such land and sea forces or bases of operation as Kure, Sasebo, and Hiroshima. In contrast with this, both the number of tradesmen and amount of taxes decreased in the Sendai and Akita districts; and some increase in the amount of taxes for the Sendai district in 1905 is explained, in the Accountants'

Bureau reports, as solely due to the special minuteness in the taking of the census in that district alone for that year. This particular depression in trade in these northern regions was mainly due to the undeniable fact that war expenditures were light in these places. Turning to 1907, we find that the commerce of the districts which had suddenly expanded by reasons of war was becoming retarded, while that of the places which had more or less suffered during the war began to display signs of rapid progress. This latter phase was particularly the case with Osaka and Kobe. Sendai and Akita alone had no power to recuperate and showed no increase in the number of tradesmen or in the amount of business taxes.

Foreign Trade

General view of the effects

War is generally accompanied by "unfavorable balance of trade." In our country this tendency was intensified by the fact that since 1896 imports had continuously exceeded exports and no small amount of foreign capital had been imported. But it is quite worthy of notice that during the war our exports as well increased somewhat. Movements of gold and silver were also greatly affected by the war. Loans raised abroad served to check the exodus to a certain extent, but the margin between the inflow and outflow was by no means small. This is primarily attributable to the reckless export of specie previous to the flotation of foreign loans. Trade relations during and immediately after the war can be tabulated as follows:

Trade Relations, 1903–7

Year	Exports	Imports	Total	Excess of imports over exports
	Yen	*Yen*	*Yen*	*Yen*
1903	289,502,442	317,135,517	606,637,960	27,633,075
1904	319,260,895	371,360,738	690,621,634	52,099,842
1905	321,533,610	488,538,016	810,071,627	167,004,406
1906	423,754,892	418,784,108	742,539,000	−4,970,784
1907	432,412,873	494,467,346	926,880,219	62,054,473

MOVEMENTS OF GOLD AND SILVER, 1903–7

Year	Gold and silver exports	Gold and silver imports	Excess of imports	Excess of exports
	Yen	*Yen*	*Yen*	*Yen*
1903	19,001,198	27,807,469	8,806,270	....
1904	107,795,858	33,946,655	....	73,849,202
1905	16,354,756	31,506,972	15,152,216	....
1906	25,784,436	47,211,197	21,426,761	....
1907	18,759,285	8,256,503	....	10,502,782

The war acted upon the export trade in two obvious ways. In some respects it tended to hinder the growth of our foreign commerce, while in others it contributed to its development. The shortage of capital and labor must first be pointed out as among the effects under the first category. The capital in the country was largely absorbed by the government or else transferred to the manufacture of war supplies, thus dealing a more or less severe blow to the production of ordinary goods through paucity of capital. The labor market was in no better condition, some one million men being called to the colors and huge numbers of workmen being employed by munition factories. In the second place, it should not be overlooked that the war itself directly impeded the export trade by the ceaseless consumption of munitions. The last but not the least important factor was the rise in prices of various commodities through the war. High prices were brought about (1) by the increased issue of notes attendant upon the domestic loan policy, which enabled an increased issue of convertible notes, and the inflow of specie resulting from the flotation of foreign loans; (2) by the imposition of special war-time taxation; (3) by the commandeering of capital and labor for military purposes; (4) by the shortage of transportation facilities due to the military use of the means of communication; and (5) by other war demands. Consequently prices rose steadily, especially those of foodstuffs.

These circumstances obstructed the growth of the export trade, it is true, but it must be remembered that there were three important neutralizing factors. In the first place, the

firm determination of the nation to fight the war to a finish favorably influenced the export trade by making good a deficiency of labor by means of various labor-saving inventions and through a more concentrated application of energy, as will be noted hereafter, and by encouraging a habit of thrift and economy. In the second place, Korea and China absorbed a considerable portion of our war funds, and the purchasing power of the people of these countries naturally increased. The rise in the price of silver must also have greatly stimulated our exports to these countries. Again, when the command of the sea passed to the hands of Japan early in the development of the war, Japan's comparative freedom in foreign trade must have been a strong aid to her trade expansion. In the third place, there is no denying that the world-wide boom which culminated in 1906 favorably affected our trade in the preceding two years. These are the reasons why our exports saw some increase during the war, despite many adverse factors.

It is easy to imagine, moreover, that the popular tendency to thrift and economy inclined to check the growth of imports, but the increase in the importation of war supplies was inevitable. There were, besides, imports made in anticipation of higher tariff, while the high prices mainly due to inflation of currency also tended to encourage general imports. In consequence, the imports increased from less than 320,000,000 *yen* in 1903 to more than 370,000,000 *yen* in 1904. In 1905 the figure bounded up to no less than 490,000,000 *yen*. The total value of the foreign trade, therefore, increased year after year, as exports somewhat increased instead of decreasing, while imports advanced by leaps and bounds. The foreign trade stood at 600,000,000 *yen* in 1903, but in 1904 it increased to 690,000,000 *yen*, and in 1905 to 810,000,000 *yen*, an increase of 35 per cent as compared with the year previous to the war.

In this connection it should be noted that the war with Russia marked a turning-point in Japan's foreign trade. During the war the volume of trade markedly increased, and this tendency was unchanged after the war. Indeed, it

increased annually with the rapid growth of export trade, reaching 930,000,000 *yen* in 1907. Leaving the increased population out of consideration for the moment, the development of our export trade is due to three causes: (1) Japan obtained an ideal port in Dalny, and the hundreds of miles of the South Manchuria Railway, besides the southern half of Saghàlien, which may not be of much use. Some markets in Manchuria and Korea came within Japan's sphere of influence, while other oriental nations also began to appreciate Japanese goods through their appreciation of our victory in war. (2) The victory over Russia proved a fine opportunity for Japanese articles to find new markets in the West, where our successes in war became good advertisements and the people vied with each other to buy our merchandise and know its manufacturers. (3) The war, moreover, trained the people in a valuable habit of industry and saving, while our victory strengthened the national spirit of self-reliance, which must have indirectly contributed to the expansion of export trade. As export always stimulates imports, the causes of the progress of our export trade worked at the same time as indirect causes of increasing our import trade. As regards the increase in imports, however, special attention should be paid to two things—the continuance of high prices and the increased import of raw materials. With the close of the war, the capital and labor which had been commandeered were released, the paralyzed means of communication were restored, and the demand for goods for military use ceased. Though these three causes of high prices were removed, the inflation of currency still continued from inertia, the most potent cause of high prices, and it was decided to extend the special war-time taxation to a *post bellum* period. This accounts for the failure of prices to fall appreciably after the restoration of peace, which, in turn, must have encouraged the import trade. On the other hand, the increase in exports was mainly in the finished or partly finished articles, which naturally led to an increase in the import of raw materials. But this tendency was particularly pronounced after the war, because the pro-

motion or extension of enterprises which had been thwarted by the war greatly added to the import of raw materials.

Thus, the foreign trade after the war continued to grow in volume, but the balance of trade was still very unfavorable to Japan. The root of the whole evil was in the war itself. It is true that in 1906 the exports exceeded the imports by some 5,000,000 *yen*, but this proved wholly exceptional. The unfavorable balance of trade amounted to some 62,000,000 *yen* in 1907 and to some 58,000,000 *yen* in 1908. This state of things continued until the outbreak of the World War, the excess of imports over exports totaling a little short of 100,000,000 *yen* in 1913. The exceptional conditions prevailing in 1906 may be roughly analyzed as follows: The increase in exports was primarily due to the world-wide commercial boom, as can be proved by the phenomenal demand for raw silk in that year. The cessation of the importation of war supplies had much to do with the decided decrease in imports, but the slight falling off of prices from the restoration of peace until the first half of 1906 also made the importers careful of new orders in anticipation of bad times. Again, during the war and until the first half of 1906, new enterprises were stopped and such items as iron, machinery, rails, rolling stock, and the like were imported much less. Thus, the excess of exports was limited to 1906, and after that year the currency continued to be inflated and prices continued to soar. The excess of imports for several years led to the heavy exodus of specie, which, combined with the annual payments of huge sums of interest on foreign bonds, threatened to shake the foundation of Japan's conversion systems. The Russo-Japanese War was solely responsible for these conditions.

From the general observations above outlined, we now turn to examine our foreign trade according to merchandise and countries.

Observations according to merchandise

The changes in our export and import trade outlined in the preceding pages may be made clearer by a glance at the

articles of merchandise. The exports during the war, divided into foodstuffs, finished goods, and raw materials, are shown in the table at the end of this chapter.[1]

It is to be noted that of the exports raw materials suffered most from the war, but their decrease was more than made good by the increase in the finished articles. That the decrease in export of raw materials was specially great was due to the fact that they were needed for war purposes. Copper, leather and hides, cotton yarn, coal, etc., showed a decrease or comparatively little increase in their export, because they were largely employed for the manufacture of war supplies. The following table comprises the most important of the articles diverted to war uses:

IMPORTANT EXPORTS DIVERTED TO WAR PURPOSES, 1903–1905

Articles	1903	1904	1905
	Yen	*Yen*	*Yen*
Refined copper	14,717,029	12,771,497	16,008,333
Cotton yarn	31,418,613	29,268,445	33,246,461
Cotton blankets	404,188	292,794	508,036
Cotton fabrics	6,875,309	7,743,432	11,492,085
Coal (lump)	17,605,216	13,374,428	12,679,271
Railway sleepers	923,829	976,780	1,118,590
Total	71,944,186	64,427,386	75,052,776

The remarkable decrease in these exports for 1904 was brought about by the fact that, in the early stage of the war, Japan had to resort chiefly to those war supplies found in the country, and by the further fact that the transportation facilities, both at home and abroad, were probably too disturbed to allow of their export. These hindrances were mitigated in 1905, and therefore, in spite of a greater demand for war supplies as the situation developed, the export of these articles was increased. Moreover, these exports went chiefly to Korea and Manchuria, and the people of these countries had a larger purchasing power, silver having gone up in price and our war funds being scattered among them. In regard

[1] *Post*, p. 203.

to manufactured goods, in spite of the existence of numerous unfavorable circumstances, such as the rise in general prices and the paucity of capital and labor, their exportation increased as compared with the period before the war. This unexpected tendency must have been due to special effort on the part of the people to exercise thrift and economy. It was most noticeable in the exportation of matches, figured mats, porcelain, earthernware, and lacquer-ware. Increase in export was also marked in cotton fabrics and other cotton goods, which are included in war supplies in this study.

Let us now turn to our import trade during the war as tabulated below.

As mentioned elsewhere, the increase in imports during the war was due in the main to the importation of war supplies, the importation made in anticipation of a higher tariff schedule, and the inflation of currency. It is to be noted in the following table that there was no great change in the food-

IMPORTS, 1903–1905

Articles	1903	1904	1905
Foodstuffs:	*Yen*	*Yen*	*Yen*
Rice	51,960,272	59,791,910	47,981,265
Wheat and flour	15,092,258	11,162,170	13,963,459
Soy-beans	6,369,081	7,116,266	9,830,255
Other cereals	4,016,253	4,648,281	4,749,392
Eggs	815,337	493,011	953,357
Condensed milk	997,990	1,178,099	1,608,379
Other foods and drinks	3,038,215	3,636,120	2,831,834
Total	82,271,406	88,025,856	81,917,941
Manufactured goods:			
Timepieces and accessories	897,440	721,871	1,793,933
Clothes and accessories	1,374,489	1,261,029	1,840,744
Glass and glassware	1,423,884	946,637	1,762,437
Paper and stationery	3,864,392	2,999,237	6,027,549
Refined sugar	6,148,905	5,011,084	659,415
Cotton fabrics	10,761,479	9,178,233	18,433,158
Blankets	9,343,093	6,443,653	21,734,458
Cotton and silk goods	1,827,555	8,603,362	10,127,239
Tobacco	1,117,858	1,509,653	2,217,571
Alcoholic liquors	769,236	770,418	1,037,118
Total	37,528,331	37,445,117	65,633,622

IMPORTS, 1903–1905—*Continued*

Articles	1903	1904	1905
Ordinary raw materials:	*Yen*	*Yen*	*Yen*
Drugs and medicines	6,712,050	8,125,736	10,909,104
Dyestuffs, pigments, and paints	7,728,656	5,418,360	7,384,811
Hides, leather, ivories, shells, and horns	3,271,610	8,277,301	18,095,203
Iron and steel	21,931,221	24,927,639	41,387,237
Oils and wax	1,985,067	2,492,259	2,360,974
Sugar and syrup	14,856,722	18,082,091	13,051,469
Raw and whipped cotton	69,518,109	73,420,385	110,623,182
Sheep and goat wool	4,828,907	9,986,578	8,364,883
Cocoons and ramie	2,685,083	2,663,573	3,889,512
Fertilizers	13,161,096	1,085,471	22,347,518
Total	146,678,521	163,479,393	238,413,898
Raw materials for manufacturing purposes:			
Machinery	10,398,327	12,174,065	23,389,904
Metal articles	5,816,422	7,845,471	16,583,145
Kerosene and machine oil	11,943,977	18,624,095	12,815,302
Printing paper	991,274	975,977	1,886,152
Cotton yarn	1,091,642	819,964	2,330,569
Woolen yarn	1,144,073	2,912,711	5,150,399
Tusser silk and hemp	704,051	457,792	1,347,268
Coal and coke	2,052,059	12,392,423	6,193,004
Railway rolling-stock and accessories	505,338	914,091	1,910,345
Steamships	1,732,426	939,693	760,292
Total	36,379,589	66,436,282	79,266,380
Total of foodstuffs, manufactured goods and raw materials (as above)	302,857,847	355,386,648	465,231,841
Arms and scientific apparatus	1,917,305	1,861,948	2,770,385
Miscellaneous articles	10,386,813	13,041,889	18,465,302
Postal parcels	465,601	517,233	1,205,032
Grand total	315,627,566	370,807,718	487,672,560

stuff imports, but the finished articles increased from 37,000,000 *yen* to 65,000,000 *yen*, partly owing to military requirements but largely due to the inflated currency. But it was in raw materials, especially of the ordinary class, that the heaviest increase was recorded through military demands. The increase through anticipatory imports was spread over the three classes, and it is not possible to point out in what particular items the increase occurred. It is therefore necessary to refer to the following tables to see how the three

causes severally operated upon the import trade. These tables will suffice to make it clear that military needs were the greatest cause and anticipatory importation was the next in importance, in swelling our imports through the war.

As already noted, Japan's foreign trade made rapid strides after the war as a result of our national struggle. And when we examine the increase or decrease in the export or import of each kind of merchandise, we see that clear progress in industry was made in the midst of the constant excess of

IMPORTS, 1903–1905

Important military imports

Articles	1903	1904	1905
	Yen	*Yen*	*Yen*
Electromotors	836,652	1,266,186	2,455,423
Lathes	178,109	827,614	3,349,617
Cotton spinning machinery	535,001	633,883	1,228,233
Boilers and steam engines	989,873	1,710,913	2,633,033
Timepieces and accessories	897,440	721,871	1,793,933
Wheat and flour	15,092,258	11,162,169	13,963,458
Furs	53,997	915,078	1,165,438
Cow and buffalo hides, and boot-sole leather	1,437,180	4,931,316	10,446,168
Other leathers	920,901	1,752,875	5,682,198
Steel billets and plates	6,342,483	7,341,487	14,577,009
Steel rods and tubes	5,040,190	5,613,261	9,344,664
Iron nails	1,509,993	1,960,055	2,609,431
Tin and steel plates	972,620	2,706,768	4,698,063
Electric wires	733,269	1,044,766	1,206,068
Steel (not including soft steel)	777,818	664,785	2,339,188
Aluminium	143,429	539,869	1,096,398
Unrefined copper	80,009	49,798	1,900,475
Lead	703,390	992,876	1,726,003
Tin	544,376	1,302,530	1,628,149
Zinc	1,350,401	1,489,829	3,931,886
Raw cotton	68,206,724	71,466,843	109,260,156
Cotton drills	108,644	1,221,701	1,012,292
Canvas	74,298	1,005,969	1,708,212
Calico, bleached and unbleached	4,254,368	2,973,263	7,952,947
Wool and woolen yarn	5,955,883	12,883,766	13,497,966
Woolen cloths and blankets	3,731,513	9,003,351	20,136,831
Hemp and hemp-thread	1,865,391	2,282,967	3,382,348
Coal and coke	2,052,059	12,392,423	6,193,004
Teak and other timber	674,564	507,805	1,281,374
Railway rolling-stock	505,339	914,091	1,910,345
Cables, submarine and underground	332,167	1,036,960	2,569,173
Steamships	1,733,426	9,319,693	7,660,292
Total	128,632,765	172,636,761	264,439,775

IMPORTS, 1903–1905—*Continued*

Important anticipatory imports

Articles	1903	1904	1905
	Yen	*Yen*	*Yen*
Farming; carpentry apparatus; cutlery	319,811	355,022	708,288
Musical and medical instruments	272,322	247,185	384,717
Electric lamps and fire engines	694,087	614,202	1,215,472
Photographic cameras and accessories	498,754	424,121	688,556
Wheat and flour	15,492,258	11,162,170	13,963,459
Carbolic acid and antipyrine	303,178	344,913	705,531
Rice	51,960,272	59,791,910	47,981,265
Cotton and sesame-seeds	1,202,130	1,254,660	1,841,859
Cow and buffalo hides	825,814	2,319,226	2,077,699
Brass tubes	157,334	169,858	416,734
Copper tubes	245,957	284,774	571,818
Kerosene oil	11,455,696	18,201,489	12,061,261
Flax-seed and machine-oil	683,542	572,755	970,703
Sugar	14,817,125	18,031,922	13,046,772
Cotton sewing threads	325,356	476,674	628,703
Coke	79,136	192,529	728,283
Bicycles and accessories	972,972	953,199	1,364,383
Gelatine	154,083	217,080	340,179
Washing soap	85,051	69,796	134,270
Total	100,544,878	115,683,485	99,830,249

Imports due to the inflation of currency

Boots and shoes, braces and buttons	226,665	215,532	390,559
Hats	361,669	284,232	345,958
Aniline dyestuffs	1,430,042	1,046,469	1,679,891
Dried indigo leaves	4,350,815	2,117,677	2,829,737
Lacquer	230,541	151,215	282,140
Extract of logwood and pigment oil	437,687	322,708	653,252
Glass and glassware	1,423,884	949,637	1,762,437
Decoration; imitation Japanese paper	972,377	792,510	1,859,068
Cotton yarn for weaving	766,286	343,290	1,701,866
Cotton flannel	536,946	272,115	481,532
Calico	1,975,375	532,092	1,392,976
Satinet and velveteen	1,939,830	992,757	2,894,307
Figured and scarlet calico	439,083	48,574	285,688
Flannel and Italian cloths	969,592	464,411	1,415,127
Crepe camlet and serges	4,616,646	2,428,511	3,689,514
Cocoons and tusser silk	1,523,743	838,398	1,754,432
Silk, cotton, satin and velvet	301,679	305,706	410,134
Bicycles and accessories	972,972	953,199	1,364,383
Toilet soap	236,321	239,514	343,375
Rubber articles	270,910	163,775	275,978
Total	23,983,063	13,459,322	25,812,355

imports over exports. Though imports in general increased to a marked degree, the importation of articles of consump-

VALUE OF EXPORTS, 1903–1907

Countries	1903	1904	1905	1906	1907
Asia:	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
China and Kwantung Province	64,994,180	67,985,873	98,681,998	117,779,533	85,619,233 20,400,683
Hongkong	29,724,694	28,160,103	20,215,081	27,061,326	24,384,762
Korea	11,761,494	20,389,728	26,618,870	25,209,796	32,792,476
British India	8,086,798	9,404,954	7,997,594	10,351,836	13,088,089
British Straits Settlements	7,108,701	5,270,802	4,424,068	4,033,679	5,767,563
French India	197,776	374,948	406,933	149,838	250,104
Asiatic Russia	2,239,987	27,814	1,709,787	10,494,077	5,067,723
Siam	73,626	159,423	103,341	235,365	338,390
Total	124,187,256	123,826,627	159,957,572	195,315,454	187,709,033
Europe:					
England	16,544,524	17,643,963	13,039,401	22,553,409	22,443,305
France	34,279,116	36,320,101	27,227,473	40,288,876	42,532,655
Germany	5,185,658	4,104,122	4,360,402	8,396,132	11,255,619
Italy	11,003,607	12,070,670	8,095,467	11,807,567	13,770,735
Belgium	487,173	310,887	665,520	1,307,605	2,054,397
Switzerland	264,738	588,699	11,554	23,351	64,225
Russia	1,125,251	53,625	10,584	77,901	441,560
Austria-Hungary	981,290	543,921	414,106	1,225,779	1,148,716
Netherlands	224,043	432,732	161,834	225,827	266,805
Sweden and Norway	2,246	8,918	11,882	6,121	11,763
Spain	67,594	169,220	77,742	82,430	200,853
Turkey	105,959	68,960	50,516	70,516	70,598
Denmark	29,448	73,026	70,045	148,941	97,816
Portugal	999	937	604	2,586	8,022
Total	70,301,646	72,389,780	54,197,129	86,217,041	94,367,069
America:					
United States	82,723,986	101,250,773	94,009,072	125,964,408	131,101,015
Canada	2,923,540	3,211,675	3,240,036	3,953,051	3,863,657
Mexico	72,222	143,048	60,935	409,472	841,299
Peru	12,012	4,683	10,408	49,691	87,850
Chile	....	....	....	....	130,129
Total	85,731,759	104,610,179	97,320,450	130,376,395	136,023,950
Australasia	3,352,466	4,438,589	4,072,936	4,225,662	4,793,903
Philippines	1,675,519	1,675,847	1,363,673	1,375,437	1,795,726
Dutch East Indies	912,419	1,082,322	1,233,011	1,393,536	2,261,312
Hawaii	2,253,483	2,240,564	1,876,454	2,758,221	3,468,677
Egypt	322,664	418,529	283,801	378,734	386,300
Other countries	764,929	631,440	1,028,482	1,714,186	1,606,903
Grand total	289,502,442	319,260,896	321,533,610	423,754,892	432,412,873

tion not only did not show any increase but decreased in some cases.

A large increase in the import of unmanufactured goods, especially of foodstuffs and fertilizers, was an inevitable result of the limited area of our country and its teeming population. The rapid increase in the import of raw materials was a matter of congratulation, because it was an unmistakable sign of our industrial growth. In the export trade there were signs that the export of unmanufactured goods somewhat declined, which was quite natural to the industrial conditions of Japan.

VALUE OF IMPORTS, 1903–1907

Countries	1903	1904	1905	1906	1907
Asia:	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
China and Kwantung Province	43,458,057	54,810,336	52,618,408	57,396,737	59,182,369
Hongkong	1,739,727	2,495,410	1,128,597	684,743	8,809,676
Korea	8,912,151	6,400,777	6,150,541	8,205,942	820,610
British India	69,894,197	68,011,997	90,226,830	60,315,034	16,371,512
British Straits Settlements	1,323,441	2,725,989	3,397,086	2,467,993	74,593,284
French India	15,579,627	17,399,667	10,147,957	7,505,252	3,062,258
Asiatic Russia	8,267,652	4,527,746	2,726,564	1,407,230	8,662,912
Siam	3,726,280	5,785,714	4,586,555	3,191,281	1,655,649
Total	154,861,132	162,157,635	170,983,338	141,174,211	2,738,695
Europe:					175,896,961
England	48,736,758	74,992,865	115,380,101	101,311,362	116,245,070
France	5,107,913	3,334,323	5,129,208	4,997,159	7,024,957
Germany	26,958,977	28,697,382	42,579,960	42,500,013	47,667,742
Italy	311,021	673,920	502,091	636,173	942,874
Belgium	7,578,591	6,104,474	11,002,185	10,551,043	13,398,299
Switzerland	2,187,954	1,959,988	2,974,305	4,480,335	3,116,866
Russia	291,559	1,995,720	29,049	40,941	174,887
Austria-Hungary	3,676,995	1,374,658	2,256,197	2,785,237	2,551,852
Netherlands	814,706	499,688	873,528	1,233,184	1,204,396
Sweden and Norway	310,502	661,035	2,271,189	1,323,959	2,171,243
Spain	101,191	102,816	249,083	197,647	314,190
Turkey	2,045	29,422	36,964	117,482	138,274
Denmark	18,002	92,059	24,195	64,981	234,964
Portugal	17,999	10,048	15,720	18,127	27,630
Total	96,114,213	120,528,397	183,323,773	170,237,644	195,213,244
America:					
United States	46,273,871	58,116,344	104,286,528	69,948,681	80,697,362
Canada	499,040	837,443	732,022	1,002,320	1,217,140
Mexico	1,639	9,643	166,873	4,414	960
Peru	18,089	2,078	3,608	51,676	483,525
Chile	....	....	....	....	358,617
Total	46,792,638	58,965,507	105,189,031	71,007,091	82,757,604
Australasia	1,199,935	4,399,085	6,001,197	4,128,051	7,818,753
Philippines	3,421,554	2,468,707	1,367,612	1,143,116	2,159,178
Dutch East Indies	10,842,780	17,912,484	14,830,004	23,519,820	22,039,470
Hawaii	6,219	8,395	13,691	14,070	19,320
Egypt	2,401,599	2,476,258	2,999,133	1,669,589	3,457,204
Other countries	1,455,447	2,444,269	3,830,236	5,890,515	4,009,365
Unknown	....	....	....	....	1,006,244
Grand total	317,135,518	371,360,739	488,538,017	418,784,108	494,467,346

The tendency of crude manufactures, including raw silk and cotton yarn, to form the bulk of our export trade remained unchanged, while the amount of exportation in finished goods showed a steady increase.

Observations according to countries

Through what channels the war affected our import and export trade may be made clear by observing the conditions of our trade according to various foreign ports.

VALUE OF IMPORTS AND EXPORTS, 1903–1907, BY CONTINENT

Continents	1903	1904	1905	1906	1907
	Yen	*Yen*	*Yen*	*Yen*	*Yen*
Asia	269,048,388	285,984,262	33,093,591	336,489,655	363,605,994
Europe	166,415,869	192,918,267	235,434,859	256,454,685	289,580,313
America	132,524,397	163,575,686	199,509,481	201,383,486	218,781,554
Other places	38,649,306	....	....	....	....
Grand total	606,637,960	690,621,634	810,071,627	842,539,000	926,880,219

PERCENTAGE OF IMPORTS AND EXPORTS, 1903–1907, BY CONTINENT

Exports

Continents	1903	1904	1905	1906	1907
	Per cent	*Per cent*	*Per cent*	*Per cent*	*Per cent*
Asia	43	39	50	46	43
Europe	24	23	17	20	22
America	29	33	30	31	32

Imports

Asia	49	44	37	35	36
Europe	30	32	38	41	40
America	15	16	22	17	17

It is worthy of notice that the war-time export trade gained with Asia alone and showed a decline with Europe. Our exports to Asia, which had been only two-fifths of the entire exports in 1904, suddenly became more than one-half of the exports in 1905, whereas the trade with Europe decreased from 72,000,000 *yen* in 1904 to 54,000,000 *yen* in 1905, that is, from 23 per cent to 17 per cent of the total export value. The increase was particularly great in the exports to China and Korea, while the trade with France showed the most decrease. The exports to China and Korea increased from nearly 76,000,000 *yen* in 1903 to 125,000,000 *yen* in 1905 and to 140,000,000 *yen* in 1906, that is, from 26 per cent to between 34 and 39 per cent of the entire export trade. This was chiefly due to the war funds spent in China and Korea, the high price of silver, and the command of the sea in the hands of Japan, as already pointed out.

When we consider this increase according to the kinds of

merchandise, the export of cotton yarn and goods, copper, matches, and coal greatly increased, but the market for other miscellaneous goods also prospered; and such commodities as refined sugar, beer, white cotton cloth, and the like, which had been exported little before the war, found new markets in the Far East. The marked decline in the exports to France may be explained by her taxation on *habutaye* and the uncertainty of trade routes with the European countries in general; this applies to the fall of our trade with England and Italy as well. The trade with America made smooth progress, there being little obstruction on the sea. That our exports to America decreased in 1905 in spite of our success in war was due to the poor crops in that country and the consequent depression in the *habutaye* and tea market.

The case was quite different with the import trade. The imports from the Asiatic countries were quite inactive, whereas those from Europe and America increased at a rapid rate. The general rise in prices in China and Korea, the two important exporting countries of Asia, served to check imports therefrom. The decrease in our import from Asia might have been greater had it not been for a large demand for Indian cotton on account of the extensive use of cotton for war supplies, combined with its high price in America. On the other hand, the phenomenal increase in imports in general from Europe and America was the result of a decided gain in the importation of such articles as iron and steel, copper, cotton blankets, hemp yarn, hides, leather, and machinery. Classified according to countries, England sold us in large quantities various machinery, iron and steel, cotton blankets, etc.; Germany, raw silk, zinc, dyestuffs, and machinery; and America, raw cotton, leather, hides, kerosene oil, metal articles, wheat and flour, etc.

To sum up, the greater part of our import trade before the war was taken by British India and China, European countries catering to only one-third of our demand. In 1905, however, Europe surpassed British India and China. Imports from America, too, nearly doubled in 1905 as compared

with 1904. As stated above, the reverse of this change was the case with the export trade. The trade relations, though undergoing remarkable changes through the war, remained unchanged upon the whole after the cessation of hostilities, more particularly in regard to our imports, although slight reversions occurred in some cases. It is true that after the war the demand for war supplies suddenly fell off, but at the same time there arose a great demand for materials needed in the rehabilitation of peaceful pursuits and in the promotion of new enterprises. All this led to increased imports from Europe after the war, whereas the imports from Asia remained at their former level. The imports from America after the war, though smaller in amount than the maximum in 1905, increased both in actual figures and in percentage to general trade from what they were before the war. The export trade with Asiatic countries after the war continued upon the whole as active as ever, but its tendency to increase was somewhat stayed by the slump in the silver market and the boycott movement prevailing in China. The export trade with Europe gradually rallied after the war, but it could not revert to the relative position before the war. The export trade with America showed some increase. These conditions prevailed until 1908.

Class and article	1903		1904		1905	
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
Foodstuffs:						
Tea	13,935,252		12,833,836		10,584,322	
Peas, rice and other cereals	5,170,066		5,077,339		3,729,449	
Marine products	7,073,821		7,865,627		7,937,604	
Various foods and drinks	6,253,884		8,880,057		17,424,009	
		32,433,023		34,656,859		39,675,384
Manufactured goods:						
Clothes and accessories	3,480,873		4,615,679		5,576,849	
Paper and paper wares	1,993,069		2,795,039		3,003,226	
Metal goods	3,142,103		3,471,053		2,890,441	
Habutaye and silk handkerchiefs	30,448,897		42,245,691		32,950,590	
Other silk articles	1,820,382		1,723,682		2,433,407	
Cotton fabrics and other cotton goods	8,270,551		9,454,270		13,684,284	
Other cloths	1,496,542		1,508,642		2,321,862	
Tobacco	2,127,580		2,695,019		3,523,084	
Matches	8,473,071		9,763,860		10,360,762	
Figured mats	4,651,465		4,917,357		5,086,986	
Porcelain and lacquer-work	4,021,690		4,896,312		6,558,364	
Straw goods	3,832,109		5,192,992		3,836,785	
Umbrellas and accessories	1,497,599		1,551,355		1,735,372	
Chip-braids	1,246,590		1,336,825		1,626,872	
		76,502,521		96,172,776		95,588,884
Raw materials:						
Silk and waste silk	81,386,225		94,331,430		78,076,908	
Dyestuffs, pigments, and paints	7,323,392		7,880,019		7,313,398	
Copper, refined and otherwise	14,906,033		12,907,775		16,048,452	
Oils and wax	2,387,970		2,813,551		1,750,316	
Hides, leather, ivories, shell, and horns	1,645,231		1,565,684		1,319,993	
Whipped cotton and cotton yarn	31,654,210		29,610,117		33,876,694	
Coal	19,260,502		14,828,092		14,267,867	
Railway sleepers, boards, and timber	2,615,145		3,248,898		5,197,226	
Machinery and similar articles	715,079		564,658		808,697	
		161,893,787		167,750,224		158,659,551
Miscellaneous articles		14,768,241		16,708,479		23,284,261
Postal parcels		373,044		446,247		1,081,536
Total		285,970,616		315,734,585		318,289,615

CHAPTER V

EFFECTS ON INDUSTRY

General Remarks

Industry always goes hand in hand with trade; rarely does one prosper without the other. In the early stage of the war, trade, especially home trade, was hit hard, but with the progress of the war it somewhat rallied. On the whole, trade suffered comparatively little, considering the magnitude of the war. This statement applies to industry with equal force. To be more precise, trade was affected chiefly in the lines of luxuries for home consumption, but suffered little or no damage in lines of daily necessaries, while the trade in war supplies as well as the foreign trade in general increased.

We have said that industry was most seriously affected in the early stage of the war, but the statement is in danger of being challenged when examined from a certain point of view. For instance, a cursory survey of the statistics regarding the numbers of factories and workmen would clearly tend to misconception.

Average Number of Workers per Diem in Factories, 1902–1906

Workers	1902	1903	1904	1905	1906
Male	185,622	182,404	207,951	240,288	242,944
Female	313,269	301,435	318,264	347,563	369,233
Total	498,891	483,839	526,215	587,851	612,177

These figures show the steady increase in the number of workers in the first and second years of the war. It might be concluded from this that the war exerted a favorable influence upon industry from its beginning; but nothing is farther from the truth. The industry of Japan being mostly hand-work and more than half the articles turned out being by-products,

the statistics of workers employed in factories with at least ten hands can not be taken as an index to the whole or even the greater part of the manufactures of the country. The effects of the war on industry, therefore, must be deduced from other indications. Indeed, in industry, as in trade, a more accurate barometer of activity can be found in the numbers of people opening or closing factories. The figures for 1905 are unavailable, but those for 1904 as cited below are unmistakable signs of the depression of industry.

FACTORIES OPENED AND CLOSED, 1902–1904

Tax Administration Offices	1902		1903		1904		Increase or decrease in 1904 as compared with 1903	
	Opened	Closed	Opened	Closed	Opened	Closed	Opened	Closed
Sapporo	469	305	471	370	634	602	+ 163	+ 232
Tokyo	596	929	542	1,149	534	1,630	− 8	+ 481
Kyoto	2,987	3,105	2,728	4,095	2,620	7,078	− 108	+2,983
Osaka	408	271	630	408	196	774	− 434	+ 366
Yokohama	32	43	39	43	48	74	+ 9	+ 31
Kobe	1,359	1,741	1,081	2,275	869	1,689	− 212	− 586
Nagasaki	22	35	13	21	14	40	+ 1	+ 19
Nagano	165	216	122	262	148	354	+ 26	+ 92
Utsunomiya	761	1,201	594	1,415	521	979	− 73	− 436
Nagoya	1,902	2,153	1,984	2,632	1,408	4,270	− 576	+1,638
Sendai	250	72	216	149	186	162	− 30	+ 13
Akita	198	133	262	199	200	270	− 62	+ 71
Kanazawa	633	428	831	783	1,090	816	+ 259	+ 33
Matsue	57	214	97	187	58	85	− 39	− 102
Hiroshima	2,083	2,626	2,508	3,317	2,506	2,888	− 2	− 429
Marugame	1,604	3,306	2,301	2,651	1,521	2,903	− 780	+ 251
Kumamoto	126	159	130	171	96	172	− 34	+ 1
Kagoshima	2,055	1,418	1,655	1,776	742	3,084	− 913	+1,308
Total	15,707	18,355	16,204	21,903	13,391	27,870	−2,813	+5,967

That the number of cases of closing exceeded that of opening year after year may be regarded either as a result of industrial activity or as indicating a tendency of large enterprises to supersede small ones, but the decided decrease of openings and the alarming increase of closings in 1904 unmistakably point to the severe blow to industry dealt by the war in its first year. With the continuance of war, however, these conditions somewhat improved, because the manufacture of war supplies became more and more active, the demand for daily necessaries increased, and the export trade also began to prosper. In this connection, special attention

should be paid to a strong tendency toward concentration in industry. The following table from the annual reports of the Revenue Bureau will make this point clear to the reader:

MANUFACTURERS PAYING NATIONAL TAXES AND AMOUNTS PAID, 1903–1907

	1903	1904	1905	1906	1907
Manufacturers	86,301	86,816	81,586	79,914	80,673
Places of business	87,224	87,647	82,314	79,750	81,541
Employees	133,194	135,346	123,358	126,303	130,374
Factory hands	722,998	745,519	736,635	741,226	785,694
Amount of fixed rate taxes	1,425,271,480	1,479,542,290	1,445,179,440	1,446,492,480	1,557,218,360

It should be remembered that these figures represent the conditions which prevailed in the previous year. Judging by the number of factory hands and the amount of taxes, industry was most severely affected by the war in 1904 and slightly recovered in 1905, while in 1906 a decided improvement set in. These general tendencies may be ascertained also by a statistical study of the industrial output, as will be explained in the next section. But the places of business and the number of employees continued to decrease until 1905, when even a revival of industry failed to improve these conditions. What conclusion should we draw from this if not that the tendency toward concentration became specially pronounced during the war? The fact already stated that the factory hands increased in number during the war confirms this conclusion.

It is not difficult to imagine how the war stimulated *post bellum* industry, which prospered just as trade did. The general effects of the war on industry having thus been outlined, let us now study these effects from the three different angles of industrial capital, industrial workers, and industrial output.

CONDITIONS OF INDUSTRIAL CAPITAL

The conditions of industry during the war may be made clear by studying the movements of the industrial population and the statistics of the industrial investments in the same

period of time. But in regard to the latter the only available statistics are those of the capitals of corporation enterprises, since the statistics even of those manufacturers who paid national taxes fail to throw sufficient light upon the conditions of the industry throughout the country, as already indicated. Still less would the figures regarding the company capitals alone prove useful as an index to the whole situation. However, they may not be entirely valueless for reference purposes. So we shall proceed with our investigation with the scant material at our disposal.

The war absorbed large proportions of private capital and consequently crippled the people's industry, at least for a time. Even if it did not reduce the capital already invested, it must necessarily have absorbed a large share of the new capital available for investment. The depression of general industry continuing from an *ante bellum* year must have accentuated the industrial inactivity caused by the war.

INDUSTRIES INCREASED OR DECREASED, DECEMBER, 1901–JUNE, 1905

Month end	Number of companies	Aggregated capital	Increase or decrease compared with previous term	
			No. of Cos.	Aggr. cap.
December, 1901	12,960	1,440,682,261	....	....
June, 1902	12,810	1,521,790,089	....	....
December, 1902	12,845	1,584,495,550	+ 35	+ 62,705,461
June, 1903	12,915	1,814,001,355	+ 70	+ 229,505,805
December, 1903	13,226	1,448,112,192	+311	— 365,889,163
June, 1904	13,273	1,467,683,463	+ 47	+ 19,571,271
December, 1904	13,377	1,475,558,378	+104	+ 7,874,915
June, 1905	13,422	1,495,255,111	+ 45	+ 19,696,733

Looking into the details, this blow to popular investment—a blow which through anticipation of war made its appearance as early as the end of 1903—bore the hardest upon manufactures, while in agriculture and commerce, and especially in transportation, there was more or less increase in the paid-up capital; but in manufactures both paid-up capital and reserve funds decreased considerably.

MANUFACTURING INDUSTRY, 1903–1907

Year	Number of companies	Paid-up capital	Reserve fund
		Yen	*Yen*
1903	2,441	170,346,340	29,966,661
1904	2,384	162,836,203	27,873,181
1905	2,449	189,414,059	45,626,962
1906	2,546	267,118,424	64,521,819
1907	2,847	381,815,109	64,564,944

COMMERCE, 1903–1907

Year	Number of companies	Paid-up capital	Reserve fund
		Yen	*Yen*
1903	5,955	451,680,028	110,872,204
1904	5,609	455,822,613	143,070,528
1905	5,630	466,404,498	147,276,299
1906	5,840	500,588,598	167,196,286
1907	6,197	569,486,328	197,558,374

TRANSPORTATION, 1903–1907

Year	Number of companies	Paid-up capital	Reserve fund
		Yen	*Yen*
1903	702	262,382,936	24,004,444
1904	682	309,412,473	28,110,246
1905	696	316,649,008	31,402,272
1906	684	317,378,704	25,910,892
1907	734	150,891,189	24,774,265

AGRICULTURE, 1903–1907

Year	Number of companies	Paid-up capital	Reserve fund
		Yen	*Yen*
1903	249	3,196,886	223,494
1904	238	3,220,857	174,073
1905	231	3,688,990	403,368
1906	250	4,870,357	317,941
1907	309	12,035,192	387,125

The decrease of capital must have been primarily in the manufacture of goods for home consumption, especially in those branches of industry which turned out articles other

than daily necessaries or war supplies. The amount of actual decrease in these branches must have been far greater than that cited in the above table, because the manufacture of war supplies must have drawn a larger sum of outlay. In this connection it is to be regretted that details about the movements of capital in the various branches of industry are not available. But some indirect light may be thrown on the general trend of capital movement in industry by the subjoined statistics of the number of workers in various industries.

WORKERS IN VARIOUS INDUSTRIES, 1903–1907 [a]

Industries	No. of Workers				
	1903	1904	1905	1906	1907
Fiber industry	270,974	278,890	302,723	325,047	354,667
(Textile industry)	(59,278)	(70,245)	(75,756)	....	....
Machine and iron industry	34,223	45,886	49,863	58,977	62,045
(Machinery)	(7,849)	(11,628)	(11,397)	....	....
(Shipbuilding)	(12,384)	(21,026)	(21,775)	....	....
Chemical industry	49,988	53,338	55,430	62,708	65,415
(Tanning)	(471)	(2,521)	(997)	....	....
Foods and drinks	35,920	49,324	51,497	49,260	48,192
(Canned goods)	(1,438)	(2,311)	(4,283)	....	....
Miscellaneous	34,222	42,074	46,699	50,176	52,971
(Leather goods)	(1,438)	(2,311)	(4,283)	....	....
Others	58,512	56,703	81,629	66,009	60,002
Total	483,839	526,215	587,851	612,177	643,292

[a] Figures within parentheses are not included in totals.

If this labor movement indicates capital movement with a fair degree of accuracy, it may be observed that capital was doubtless concentrated in the manufacture of war supplies such as machinery, iron goods, drinks and foods (especially canned goods), leather goods (including tanning), and cotton textiles. In other directions there must have been a marked decrease of capital, since the aggregate of invested capital decreased. But all this is what happened in 1904, the first year of war. The case was quite modified in 1905. As already seen in a previous table, the industrial capital increased in 1905 by 27,000,000 *yen* in paid-up capital and 18,-

000,000 *yen* in reserve fund. This was no doubt due to a revival of home demand and a boom in foreign trade, and also to a general increase of private wealth. Taxes and national bonds constantly absorbed private capital, yet the people not only exercised rigid economy but also reaped the fruits of war in the form of large amounts of interest on the war funds drawn from their pockets. Borrowed foreign money also enriched the people. The national wealth thus increased was reflected in the bank deposits. The following are the deposits and loans of the associated banks in the six large cities for 1904, 1905, and 1906:

DEPOSITS AND LOANS, 1904–1906

Date	Deposits	Loans
1904	*Yen*	*Yen*
September	351,480,027	353,642,376
October	351,799,162	333,740,767
November	351,819,974	330,711,670
December	360,042,712	344,228,489
1905		
January	361,094,493	348,341,451
February	368,811,230	343,837,533
March	376,245,788	352,301,480
April	391,138,509	367,220,411
May	391,865,410	371,903,549
June	400,188,909	398,909,128
July	390,213,056	404,356,512
August	385,486,704	392,118,011
September	391,716,706	386,504,534
October	397,178,339	385,567,230
November	399,177,113	389,651,405
December	407,970,973	385,823,197
1906		
January	420,907,275	388,468,918
February	438,583,134	386,048,466
March	466,545,280	391,120,423
April	475,359,923	403,197,163
May	491,737,597	405,980,942
June	499,094,824	438,740,761
July	498,859,899	454,177,926
August	516,620,873	471,227,087

This increase of popular wealth, together with the disappearance of demand for war funds on the conclusion of the war, suddenly added to the abundance of capital and conse-

quently led to slackness in the money market. The spirit of enterprise was naturally aroused among the people, while the revival of their peace-time demands created an atmosphere favorable to the feverish promotion of new enterprises. Even in 1905, the second year of the war, it is true that there was some increase in investment, but the rate of increase was greatly accelerated with the restoration of peace.

Date	Number of companies	Capital	Increase as compared with previous term	
			Number of companies	Capital
		Yen		*Yen*
June, 1904.....	13,272	1,467,683,463	47	19,571,271
December, 1904.....	13,377	1,475,558,378	104	7,874,915
			45	18,696,733
June, 1905.....	13,422	1,494,255,111	187	56,412,245
December, 1905.....	13,609	1,550,667,356	273	35,031,509
June, 1906.....	13,882	1,585,698,865	...	....

It is to be noted that the number of companies increased by 460 and the capital by some ninety-one million *yen* in one year immediately after the close of the war, that is, between June, 1905, and June, 1906. But the springing up of new enterprises was most active in the latter half of 1906, so much so, indeed, that the subscriptions to the shares of the Dai Nippon Suisan Kaisha (the Japan Marine Products Co.) amounted to 100 times those placed in the market, while the shares of the South Manchuria Railway Company offered for subscription were subscribed 1,070 times over. The new enterprises promoted with such avidity up to November, 1906, after the conclusion of peace, are said to have amounted to no less than 900,000,000 *yen* in capital. It is hardly necessary to point out that the manufacturing industry formed an important branch of this wild investment. The following classification of those newly promoted enterprises will show how the capital for manufacture increased after the war:

DEVELOPMENT OF NEW AND OLD COMPANIES AFTER THE WAR

Classified industries	New companies		Extended companies		Total companies	
	No.	Capital	No.	Capital	No.	Capital
		Yen		*Yen*		*Yen*
Banks	18	30,715,000	81	23,616,250	99	54,331,250
Railway	37	282,220,000	16	91,274,800	53	373,494,800
Insurance	7	28,000,000	5	8,100,000	12	36,100,000
Mining	17	38,870,000	6	3,550,000	23	42,420,000
Marine products	17	11,325,000	1	950,000	19	12,275,000
Electricity and gas	37	104,600,000	12	23,430,000	49	128,030,000
Silk and cotton spinning and weaving	13	20,033,000	35	23,853,000	48	43,600,000
Wool spinning and weaving	2	4,000,000	3	200,000	5	6,000,000
Silk spinning and weaving	4	520,000	1	25,000	5	545,000
Total	19	24,553,000	39	25,878,000	58	50,431,080
Steamship	5	1,950,000	5	16,539,000	10	18,489,000
Docks	4	15,041,000	3	8,052,000	7	23,093,000
Total	9	16,991,000	9	24,591,000	17	41,582,000
Iron smelting	2	30,390,000	..	....	2	30,390,000
Iron industry	1	500,000	..	....	1	500,000
Machinery	3	575,000	5	2,360,000	5	2,935,000
Total	6	31,465,000	5	2,360,000	8	33,825,000
Sugar manufacture	5	1,050,000	5	13,000,000	10	23,500,000
Milling	4	5,500,000	2	1,140,000	6	6,640,000
Fertilizer manufacture	13	15,800,000	6	4,200,000	19	20,000,000
Paper manufacture	15	2,050,000	3	10,550,000	7	12,350,000
Brick manufacture	4	3,750,000	3	1,000,000	7	4,750,000
Tea manufacture	2	700,000	1	500,000	3	1,200,000
Cement manufacture	3	1,050,000	2	1,500,000	5	2,550,000
Celluloid manufacture	5	6,400,000	..	....	5	6,400,000
Brewing	3	2,300,000	2	1,010,000	5	3,310,000
Others	12	4,266,000	10	1,940,000	22	6,206,000
Total	56	52,316,000	34	34,840,000	90	87,156,000
Transportation and warehousing	8	8,290,000	3	600,000	11	9,840,000
Book printing	7	2,290,000	4	137,000	11	2,427,000
Lumber industry	9	9,150,000	2	350,000	21	9,500,000
Commerce	17	5,455,000	7	1,664,000	23	6,919,000
Miscellaneous	17	5,275,000	11	7,535,000	28	12,810,000

The above figures unmistakably point to the prominence of manufactures among the various enterprises newly pro-

moted. The manufacturing industries promoted or extended after the war can be divided into three classes. The first class includes those undertakings which catered to the increased demand at home. The second are those which supplied foreign demands, not only of China, Korea, and other oriental countries, but of Europe and America. Most important of these were the extension or creation of the cotton spinning and weaving companies, while the less conspicuous included cement manufacturing, *habutaye* finishing, and the like. Under the third class come those enterprises established or extended in anticipation of the stoppage of importation due to a higher tariff schedule after the war. For example, sugar manufacture, milling, kerosene industry, and paper manufacturing were greatly encouraged by the prospect of higher prices of imports.

This is the outline of the movement of manufacturing capital. Let us next investigate the effects of the war upon the manufacturing workers.

Conditions of Manufacturing Workers

The war took away some one million one hundred thousand young men from productive enterprises. In consequence, a shortage of labor was in evidence everywhere, and the labor market was overwhelmed with demands, leading, it is generally believed, to an appreciable rise in wages. On the whole, this observation is correct, but it is wide of the mark when applied to conditions prevailing in 1904, the first year of war. In the early stage of the campaign the movement of labor, especially factory labor, took a direction opposite to the movement of manufacturing capital. The latter decreased suddenly in the early stages of the war, but gradually increased with its successful progress, whereas the former showed an excessive supply early in the war, but revealed a scarcity as the campaign progressed. This, needless to say, was due to the facts (1) that the large number of young men were not called to the colors all at once but gradually, as the progress of war required; and (2) that business depression

was most marked in the early stage of the war, but improved with its development.

Immediately after the outbreak of the war in 1904 industrial circles suffered no shortage of labor. On the other hand, workmen found it difficult to secure employment, owing to the retrenchment of enterprises and the consequent decrease in the demand for labor, which led to the lowering of wages. With the progress of the war, however, the general market recovered its activity, the demand for labor began to increase, and the number of men in active service gradually grew greater. This was particularly noticeable in and after the beginning of 1905. All this explains the shortage of labor and consequent rise in wages in the later stages of the war. Though we have no monthly statistics of wages to prove it, we believe the above statement is not erroneous. The following table indicates the changes in wages according to kinds of labor:

	1902	1903	1904	1905	1906	1907	1908
Workers connected with clothing and outfits:							
Dyers	101.5	105.0	100.9 (−)	100.6 (−)	119.6	131.8	136.1
Tailors	114.0	112.5	112.0 (−)	120.6 (−)	126.5	134.7	137.9
Foot-gear makers	111.2	110.0	110.8 (−)	113.2 (−)	117.9	126.7	135.8
Average	107.8	108.6	106.8 (−)	112.5 (−)	121.5	131.5	136.6
Workers connected with foods and drinks	106.6	111.2	108.6 (−)	111.2 (−)	113.4	125.8	133.0
Workers connected with building:							
Carpenters and plasterers	110.7	111.9	109.2 (−)	112.5 (−)	122.3	144.3	156.7
Mat and fitting makers	108.1	110.1	104.7 (−)	109.4 (−)	118.2	138.6	152.8
Average	110.0	111.5	108.0 (−)	111.8 (−)	121.3	142.9	155.7
Workers connected with manufacture of furniture:							
Joiners	109.8	110.3	106.0 (−)	112.3 (−)	119.1	131.9	139.6
Metal workers	114.0	112.7	114.0 (−)	118.1 (−)	125.9	136.9	144.3
Average	111.7	111.3	109.5 (−)	114.9 (−)	122.1	134.1	148.6
Miscellaneous	108.4	109.5	108.1 (−)	112.4 (−)	116.7	138.0	148.7
Average	107.7	109.5	107.5 (−)	112.1 (−)	118.4	134.1	143.0

Wages in almost all kinds of labor went down in 1904. The only exceptions were the wages of foot-gear makers and of metal workers. This was due, however, to a large demand for labor of shoemakers and blacksmiths, who were wanted for the manufacture of war supplies. This general fall in wages was more discouraging to workers when its practical

bearing is realized, because general prices rose somewhat despite the decrease in money wages. But wages markedly rose in nearly all kinds of work in 1905. This rise was not only in comparison with the previous year, but also as compared with wages before the outbreak of the war, the only exception being the wages of mat and fitting makers.

In spite of the shortage of labor, however, the year 1905 saw a decided increase in manufactured goods, as will be explained in the next section. This general increase was the case not only in comparison with 1904 but with 1903 also. It is evident that the 1,100,000 men requisitioned in the war caused a hurtful scarcity of labor. How, then, account for the great increase in production? It may be explained in this way:

(1) Our population was increasing every year by over half a million. Each year, therefore, had tens of thousands of new labor recruits.

(2) As a result of over-population and low wages, all factories had previously been using labor lavishly. They therefore had ample room to effect an economy in hands by means of better organization and more careful use of mechanical power, and the war forced them to resort to this economy.

(3) The war proved a powerful impetus to mechanical invention as a result of scarcity of labor.

Applications for Patents and Patentees, 1901–1908

Year	Number of applications for patents, native and foreign	Patentees, native and foreign
1901	2,142 (255)[a]	474 (132)[a]
1902	2,781 (314)	668 (203)
1903	2,923 (330)	720 (304)
1904	2,274 (344)	881 (372)
1905	2,340 (557)	1,115 (539)
1906	3,384 (721)	1,107 (487)
1907	3,979 (779)	1,341 (648)
1908	4,571 (667)	1,431 (582)

[a] The parentheses enclose the number of foreign applications for patents, and the number of foreign patentees.

It is to be noted that the number of patentees increased during the war, especially in 1905.

The manufacturing industry in this country suffered much from shortage of labor, but succeeded in its efforts to increase output by improvement in organization and a better use of machinery. When one million fighters were released from military service after the war, they were employed for the extension of industry. Indeed, the rapid strides in manufacture were largely due to the abundance of capital and to the employment, in the newly promoted enterprises, of labor released from the war. The established industries, through an economy in labor, could be conducted by workers who were never called to the colors.

Amount of Manufactured Goods

In this section we propose to see how the output of factories was affected by the war. Although the statistics at our disposal concern only a portion of our manufacturing industry, yet they will serve to indicate the general trend of the increase or decrease in production.

Fluctuations in Manufactures, 1902–1907

Year	Spur cotton (Amount of ginned cotton)	Textile fabrics	Sake	Soy	Porcelain and earthenware	Lacquer-ware
	Kanme	*Yen*	*Koku*	*Komu*	*Yen*	*Yen*
1902	44,286,547	147,147,098	3,309,312	1,763,710	6,911,301	5,588,466
1903	45,521,389	134,006,795	3,615,046	1,859,165	6,975,542	5,371,424
1904	40,157,040	123,436,268	3,153,402	1,765,973	6,733,568	4,477,274
1905	50,516,514	153,233,991	3,792,561	1,932,492	8,821,544	5,559,868
1906	53,079,596	210,355,661	4,167,721	2,074,008	13,385,982	6,809,605
1907	54,421,017	228,240,393	4,368,977	2,122,911	12,940,658	7,561,084

Year	Japanese paper	Foreign paper	Figured mats	Raw wax	Bleached wax	Oils
	Yen	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*
1902	14,159,670	7,150,024	4,960,487	2,252,489	1,396,903	9,314,113
1903	12,413,231	7,171,835	5,262,974	4,301,247	2,722,799	8,078,547
1904	13,543,837	101,434,904	4,135,097	3,166,617	1,810,523	7,266,180
1905	13,722,228	11,059,089	4,079,509	4,635,210	2,728,763	8,899,512
1906	15,480,680	14,157,736	4,548,299	4,027,142	3,343,618	11,613,683
1907	19,506,013	12,477,230	4,726,165	3,151,570	1,357,977	10,943,560

FLUCTUATIONS IN MANUFACTURES, 1902–1907—*Continued*

Year	Matches	Indigo	Leather	Straw braids		
	Yen	*Yen*	*Yen*	*Yen*	.....	.....
1902	8,608,571	4,343,919	2,255,281	2,377,349	.....	.....
1903	9,872,591	3,539,967	3,921,846	3,885,733	.....	.....
1904	11,745,646	2,179,312	18,879,337	4,807,994	.....	.....
1905	12,219,573	2,285,234	16,725,844	5,426,574	.....	.....
1906	15,516,980	2,609,220	10,882,984	4,730,156	.....	.....
1907	15,078,132	2,055,791	8,968,946	4,224,939	.....	.....

It may be noted that production decreased in 1904, but suddenly increased in the following year, so that the factory output in 1905 was even greater in amount than in 1903, previous to the outbreak of war.

CHAPTER VI

EFFECTS ON COMMUNICATIONS

General Remarks

It was inevitable that the war should materially handicap the means of communication, as was frequently mentioned in the two preceding chapters. And the crippled communication facilities were responsible in turn for the rise in prices at home, the wide difference of prices in different places, and the depression of foreign trade, at least in the early stages of the war. This handicapped state of communications can be attributed to (1) the commandeering of all the important means of communication for the transportation of troops and war supplies; and (2) the restrictions placed on the free working of the means of transportation through danger and through precautions arising out of the action of enemy warships. The first acted in the form of requisitions of railways, ships, horses and wagons, while the second chiefly crippled the steamship service. Thus, ordinary communication and transportation in war time were disturbed in their various branches, but we shall limit our observations to the most important among them, *i.e.*, the land or railway transportation and the sea or steamship service.

Land Transportation

It is hardly necessary to say that the general railway service was hindered by military transportation. In January, 1904, a government order was issued, commandeering the railways throughout the country. In the following month a great movement of troops and war supplies was commenced; timetables were frequently revised not only for freight trains but also for passenger trains, and finally the number of daily trains was reduced, which led to the decrease in the ordinary passenger and freight traffic. But this decrease was not alone

due to military transportation at home, but also to the fact that much of the rolling-stock was sent for the use of the field railway. The rolling-stock transferred for this purpose from the national and private railways (to the end of March, 1905) comprised the following:

ROLLING-STOCK TRANSFERRED FOR USE OF FIELD RAILWAY

Railway Companies	Locomotives	Passenger cars	Freight cars	Total
Government Railway Traffic Bureau	64	17	726	807
Japan Railway Co.	23	..	360	383
Sanyo Railway Co.	4	..	142	146
Kobu Railway Co.	..	5	5	10
Kansai Railway Co.	4	..	92	96
Sobu Railway Co.	..	..	50	50
Boso Railway Co.	..	..	5	5
Narita Railway Co.	..	..	25	25
Kyoto Railway Co.	..	..	10	10
Hankaku Railway Co.	..	..	10	10
Hokuetsu Railway Co.	1	..	10	11
Tokykawa Railway Co.	..	9	24	33
Nankai Railway Co.	..	..	19	19
Nishibari Railway Co.	..	..	10	10
Chugoku Railway Co.	..	..	5	5
Tokushima Railway Co.	..	..	20	20
Kyushu Railway Co.	..	..	312	312
Hakatawan Railway Co.	..	..	10	10
Hokkaido Tanko Railway Co.	1	..	..	1
Gan-etsu Railway Co.	..	5	..	5
Total	97	36	1,835	1,968

The statistics of all the railways in the country also point to the same fact:

	Mileage of lines open to traffic	Rolling-stock	Increase of mileage	Decrease of rolling-stock
1903	4,495,47	29,380	....	..
1904	4,693,93	29,154	198,69	226

Seeing that most of the rolling-stock commandeered belonged to the Government Railway Traffic Bureau, the Japan Railway Co. and the Sanyo Railway Co., whose railway lines formed the main arteries of communication in this country,

it is easy to imagine how hard the transportation service was hit. Although the general passenger and freight service was thus hindered, yet it must be remembered that these and other agencies of transportation did everything possible to minimize the congestion and used every available train for transportation of goods whenever there was a lull in their military service. They also strove hard to restore the peace-time number of daily passenger trains. In consequence the congestion of traffic did not reach the worst point feared by the general public.

No details are available as to how much of the railway service was put to military use; we can infer, however, that its extent was very great. In the first place, the mileage of running, which had been increasing year after year before the war, was reduced by some 100,000 miles as compared with the previous year.

MILEAGE COVERED BY TRAINS, 1901–1905

Year ending March 31	State railways	Private railways
	Miles	*Miles*
1901	8,270,286	22,163,214
1902	8,768,171	23,297,908
1903	10,168,979	24,125,379
1904	9,649,450	24,479,190
1905	10,710,264	25,666,437

The decrease was chiefly in those lines of the state railways which were on the main routes of military transportation. A slight increase took place in some private railways, but those which were charged with military transportation naturally lost their ordinary work, as will be seen from the subjoined table. Let us first study the effects of military transportation by the statistics of passengers and fares during the five years 1901 to 1905. (See table at the top of the next page.)

It is patent that there was a sudden fall both in the state and private railway traffic in 1904. But it should be noted that this decrease must have been due partly to the habit of thrift which the people in general cultivated and to the handi-

PASSENGERS AND FARES, 1901–1905

Year	Number of Passengers		Fares	
	State railways	Private railways	Total for state railways	Average per passenger state railway
			Yen	*Sen*
1901	32,527,339	79,136,954	10,887,870	30.4
1902	32,689,916	78,121,456	11,880,530	36.0
1903	35,006,753	79,861,798	13,040,252	37.2
1904	30,026,355	75,225,481	1,240,251	41.3
1905	32,026,355	82,648,439	14,097,661	44.5

capped condition of railways. Unnecessary travel was avoided and trains were used as little as possible; nevertheless, the fares per passenger suddenly increased because the troops transported were included in the number of passengers. The effects of the war upon railway traffic will be seen more clearly if we limit our observation to the state-owned Tokaido, Nippon, and Sanyo lines, which were most frequently used for military purposes.

NUMBER OF PASSENGERS, 1901–1905

Year	Tokaido lines	Nippon lines	Sanyo lines
1901	24,367,712	16,339,421	7,457,010
1902	23,573,716	15,551,565	7,370,264
1903	24,015,154	14,378,355	8,132,783
1904	19,001,062	13,081,635	8,716,325
1905	20,582,846	14,231,020	12,464,864

A marked decrease in the number of passengers took place in all lines except the Sanyo. As compared with the previous year, the decrease was about 5,000,000 for the Tokaido lines and some 1,200,000 for the Nippon lines. The decrease of ordinary passengers was all the more remarkable when we consider that the figures cited were inclusive of troops transported, and it is worthy of notice that this tendency did not abate even in 1905. That the troops formed a comparatively large portion of the passenger traffic may be demonstrated by the subjoined table:

AVERAGE MILEAGE AND FARES PER CAPITA, 1901–1904

Year	Miles covered by passengers, average per capita			Fares averaged per passenger per mile in mo [a]		
	Tokaido lines	Nippon lines	Sanyo lines	Tokaido lines	Nippon lines	Sanyo lines
1901.....	23.42	20.58	27.40	147	129	120
1902.....	24.04	20.65	27.75	156	147	124
1903.....	25.62	21.66	31.51	151	152	114
1904.....	32.13	26.34	40.55	140	136	99

[a] 100 *mo* = 1 *sen*.

That the long-distance passengers suddenly increased on all lines in 1904, and yet the average fares showed a decrease, is evidence of the transportation of troops. As regards the freight traffic, it showed more or less increase throughout the lines.

FREIGHT TRAFFIC, 1901–1905

Year	State railways		Private railways			
	Total tonnage	Freight rates	Total tonnage	Tokaido lines	Nippon lines	Sanyo lines
	Tons	*Yen*	*Tons*	*Tons*	*Tons*	*Tons*
1901...	2,787,113	5,498,523	11,773,719	1,973,377	2,143,222	750,874
1902...	3,317,457	5,646,586	12,961,053	2,251,450	2,385,305	869,435
1903...	3,745,652	6,465,092	14,290,942	2,320,031	2,666,500	1,035,794
1904...	4,016,758	7,826,813	15,603,008	2,340,322	2,693,097	1,326,849
1905...	4,782,505	9,091,322	17,159,950	2,811,562	3,282,774	1,501,325

The increase in freight traffic must also have been due to the transportation of war supplies and not of ordinary goods.

Year	Average miles per ton of goods			Average rate per ton of goods per mile		
	Tokaido lines	Nippon lines	Sanyō lines	Tokaido lines	Nippon lines	Sanyo lines
1901.....	86.68	105.05	86.68	190	197	97
1902.....	84.58	103.28	112.20	186	199	79
1903.....	87.23	100.69	120.79	180	191	85
1904.....	109.01	107.77	112.72	177	184	115

That the latter must have decreased may be seen by the comparative study of the average miles per ton of goods and the average rate per ton per mile, with the total amount of goods transported on land.

The fact that in 1904 the long-distance freight traffic suddenly increased and the average receipts per mile decreased unmistakably points to how greatly the general freight transportation was affected by military requirements.

AMOUNT OF GOODS TRANSPORTED ON LAND[a]

	1903	1904	Increase or decrease
Tons	34,085,539	43,212,925	+ 9,127,386
Kin	480,209,500	429,658,680	—50,550,820
Pieces	20,901,809	17,259,302	— 3,642,507
Kamme	111,601,697	87,731,530	—23,870,167

[a] Investigations by the Revenue Bureau, Treasury Department.

The above table shows the amount of goods transported by means of railway trains, electric cars, horse wagons, carts, and horses. The figures expressed in *kin*, pieces, and *kamme* show the amount of goods conveyed by horse wagons, carts, and horses. These suddenly fell off in 1904. From this we gather that ordinary railway freight must also have decreased, because railway transportation alone can not increase when that by other means decreases in volume; for it must further be remembered that railway freight requires other means of transportation either in loading or delivery, so that a decline in one must be accompanied by a decline in the other.

Thus the war exerted a great adverse influence upon railway traffic, and inconvenienced the public, especially in their commercial and industrial interests. But the railway business itself was benefited rather than injured by the war, as can be seen from the table of the earnings of the leading lines at the top of the next page.

These results were obtained in spite of a practical rebate on

RAILWAY TRAFFIC EARNINGS, 1901–1904

Companies	Traffic earnings, expenses, etc.	1901	1902	1903	1904
		Yen	*Yen*	*Yen*	*Yen*
Government Railway Traffic Bureau.....	Earnings	16,277	17,649	19,220	20,229
	Expenses	7,882	8,307	8,922	8,314
	Net profits	8,394	8,342	10,297	11,895
Nippon Railway Co...	Earnings	10,187	10,889	10,986	11,406
	Expenses	4,448	4,727	5,179	5,291
	Net profits	5,459	5,530	5,806	6,114
Sanyo Railway Co....	Earnings	5,598	3,889	4,905	6,039
	Expenses	1,702	1,758	2,065	2,443
	Net profits	1,896	2,131	2,840	3,595

military transportation, the primary cause of the success probably being an extremely economical use of rolling-stock as compared with the railway conveyance of ordinary goods.

During the year ending with March, 1906, passenger traffic was almost restored to its normal level, while freight traffic showed a remarkable increase. In that year, too, there must have been military transportation back from the front, which interfered with ordinary traffic to some extent. But as there was no strategic need to press the work, it could be effected in such a way as to give ordinary traffic as little inconvenience as possible. The *post bellum* effects of the war on the railways were also reflected in another direction, that is, in the nationalization of the seventeen private railway companies by the government, which had come to realize the supreme importance of a unified railway service through the experience of war. The nationalization was effected in the six years from 1906 to 1911, inclusive, during which time the railways throughout the country passed to state control. The Fusan-Seoul Railway was also purchased by the government in August, 1906, while the South Manchuria Railway came under Japan's control as a result of the war. Thus, the government was enabled to unify the railways not only in Japan proper but in Korea and Manchuria.

Effects on Shipping

General observations

Shipping was affected by the war in a greater degree even than railway traffic. Setting aside for the present the hindrances caused by the alarm and danger on the sea, a huge amount of tonnage commandeered for military transportation literally paralyzed the shipping business of the country. In consequence, there was a serious shortage of bottoms for both coasting trade and foreign routes, which, however, could be made good by the purchase or chartering of steamers. It is impossible to ascertain exactly how many tons of ships were commandeered in the war; but we do know that during the campaign the mercantile marine of Japan, including sailing vessels, consisted of 4,602 in number, with an aggregate tonnage of 979,000 tons. However, those vessels capable of military transportation, that is, steamers above 500 tons, were only 214 in number, with an aggregate tonnage of 652,300 tons. If a large part of them were commandeered, some half a million tons would be the approximate figure. Of the Nippon Yusen Kaisha fleet, which was the most important in our shipping trade, no less than 112 vessels of various sizes, with a gross tonnage of 400,000 tons, were requisitioned during the war. The figure will exceed half a million if the tramp steamers commandeered be added. The effect of this on the shipping trade may be inferred from the following report of the Nippon Yusen Kaisha.

Nippon Yusen Kaisha Co. Report, 1903–1905

Year	Company boats		Chartered foreign boats		Total	
	No. of voyages	Miles	No. of voyages	Miles	No. of voyages	Miles
1903 (2d half) . . .	1,043	1,586,767	. . .	. . . .	1,043	1,586,767
1904 (1st half) . .	800	1,235,050	29	31,229	829	1,266,279
(2d half) . . .	363	332,822	176	282,125	539	614,947
1905 (1st half) . .	395	319,910	161	263,693	556	583,603

This table concerns the ships controlled by the Nippon Yusen Kaisha and does not include those chartered by the government. It therefore indicates the entire work of the company in its home and foreign departments, both before and during the war. Thus, we see that during the war our power of sea transportation decreased almost by one-half in the number of voyages and to less than one-third in mileage.

The arrivals at and sailings from our ports in 1904 as against 1903 showed a decrease of 2,611 steamships, with an aggregate tonnage of about 4,300,000 tons, and 485 sailing vessels, with a gross tonnage of some 65,000 tons; the decrease was most conspicuous for Japanese vessels. As compared with the previous year, our steamers decreased by 60 per cent in number and their aggregate tonnage by 78 per cent; our sailing vessels decreased by 12 per cent in number and their gross tonnage by 34 per cent. All the foreign vessels, except those of Austria-Hungary, Denmark, Russia, and France, showed a decided increase in Japanese bottoms. As there was comparatively little decrease in the number of passengers and the volume of freight, and especially in the sum of freight charges, we can understand to what extent the people suffered from the absorption of shipping service by the war.

EFFECTS OF WAR ON SHIPPING, 1903–1907

Company	Year	Passengers	Freight	Passenger fares	Freight charges	Total revenue
		No.	*Tons*	*Yen*	*Yen*	*Yen*
Osaka Shosen Kaisha	1903	1,898,602	18,861,457	1,830,097	3,322,609	5,152,706
	1904	1,682,658	20,026,004	1,838,935	3,961,075	5,800,010
	1905	1,871,103	25,604,434	2,244,334	5,224,561	7,468,895
	1906	1,942,972	24,954,355	2,703,445	5,448,843	8,152,288
	1907	1,993,520	29,584,669	3,082,965	5,738,283	8,821,248
Toyo Kisen Kaisha	1903	12,886	84,801	1,347,247	983,951	233,198
	1904	2,029	19,152	204,076	139,605	233,681
	1905	1,034	9,401	91,337	111,108	202,445
	1906	13,268	79,304	1,643,253	1,025,068	2,668,321
	1907	16,858	124,964	1,539,949	1,815,391	3,355,340

This is an outline of the war's effects on shipping. Now let us investigate its effects on home and foreign routes separately.

Effects on home routes

At the outset of the war, the Nippon Yusen Kaisha owned 81 vessels, with an aggregate tonnage of 260,000 tons, of which 60 vessels were commandeered by the Army and Navy at the time of opening hostilities. With the remaining 21 vessels, the company managed to maintain both its foreign and home services. Nine vessels were allotted to the foreign routes, while to the home service twelve vessels were given, the decrease in its transportation capacity being over two-thirds as compared with the *ante bellum* year, when nearly one-half of the company's vessels were used for coasting service. The Osaka Shosen Kaisha, too, whose vessels mostly engaged in coastwise service, had some one-half of its ships in number and two-thirds in tonnage commandeered for the war; of the 117 vessels owned by the western branch of the league of shipowners, 64 were requisitioned by the middle of February, 1904. No small number of privately owned ships were also taken on account of the war.

THE OSAKA SHOSEN KAISHA BOATS, 1903–1905

Year	Boats owned by the company		Company boats commandeered	
	Number	Tonnage	Number	Tonnage
1903 (1st half)	81	66,429	1	451
1904 (1st half)	79	63,173	48	48,625
(2d half)	84	69,040	39	40,014
1905 (2d half)	94	90,626	38	43,519

Had not the situation been relieved by purchasing and chartering foreign ships, our trade at home and abroad might have been entirely crippled owing to the scarcity of ships. But the authorities did not forget to take the necessary steps, and as early as February 1, 1904, just before the outbreak of the war, a notice was given by the Department of Communications to the effect that a license would be granted, as a special arrangement for the time being, for chartering foreign

vessels with a view to running them in the coastwise service, or to call at ports not open to foreign trade to convey goods or passengers. The following are the number and tonnage of the foreign vessels which were under charter after the war broke out, in accordance with this notification.

FOREIGN VESSELS CHARTERED, 1904–1905

Date	Number	Tonnage
1904		
February	7	18,790
March	55	120,659
April	70	152,596
May	76	166,149
June	75	160,261
July	66	134,553
August	64	134,024
September	72	142,338
October	65	127,026
November	54	109,180
December	50	92,819
1905		
January	51	99,606
February	55	113,857
March	74	156,552
April	81	172,057
May	89	189,421
June	86	184,489
July	84	179,864
August	75	163,718
September	69	148,717
October	62	137,749

On the other hand, new vessels were constructed and foreign vessels were purchased to fill up the shortage in ships. Such additions to our mercantile marine from January, 1904, to October, 1905, were as tabulated at the top of the next page.

Thus, 150,000 tons were chartered and 350,000 tons were either constructed or purchased, bringing up the total of the additions to half a million tons. It would appear from this that the shortage of vessels was made good, but the fact was not so simple. It must be remembered that those additions were spread over the entire period of the war and not made at one time, so that it was only in 1905 that the situation was somewhat relieved. During the first months after the out-

ADDITIONS TO MERCHANT MARINE, 1904–1905

Class	New vessels		Purchased vessels		Total	
	Number	Tonnage	Number	Tonnage	Number	Tonnage
Tons						
Under 1,000 . . .	193	27,352	29	19,488	222	46,840
1,000–2,000. . . .	7	11,110	45	68,111	52	79,221
2,000–3,000. . . .	1	2,029	45	108,032	46	110,061
3,000–4,000. . . .	. . .	. . . .	24	80,253	24	80,253
4,000–5,000. . . .	. . .	. . . .	6	26,144	6	26,144
Above 5,000 . .	2	12,531	1	5,248	3	17,779
Total.	198	53,022	150	307,278	353	360,298

break of war in 1904, many of the established routes were on the brink of suspending business, owing to the fact that most vessels were commandeered, while foreign ships were not yet chartered or purchased.

Next to the shortage of vessels, the danger on the sea affected the shipping trade most severely. Not a few of our coastal lines were closed on account of the danger of the enemy warships making their appearance near our shores and capturing or attacking our merchant marine. Of the lines between Osaka, Kobe, Chugoku (on the Inland Sea), and Kyushu, the calling at the western ports of Kyushu was suspended for a time; while the Tosa coastal line had its service decreased from a daily to a once-in-three-days service. The Sea of Japan and Hokkaido lines were often suspended, much to the inconvenience of the public. In the Sea of Japan, the steamship service was discontinued for days or months at a time, after the steamships *Nagoura Maru* and *Takashima Maru* were sunk by the enemy cruisers, in February, 1904, one in the Sea of Japan and the other at the Straits of Tsugaru; and again in June, when the enemy fleet came out of Vladivostok, and in July, when the Vladivostok fleet raided the Pacific through the Tsugaru Straits; and yet again in 1905, when the Baltic fleet entered the Sea of Japan. Even when the lines were not closed, the steamship service in the Sea of Japan was greatly handicapped through the danger of

the enemy warships, which caused no small congestion of freight.

Under these circumstances it was but natural that the freight rates were raised. Upon the commandeering of vessels just before the actual outbreak of the war, the freight rates on coal between Moji and Yokohama rose by some 50 per cent, and the rates on other goods rose by 20 to 30 per cent, while the general coastal rates rose by 20 per cent, as a rule. This upward tendency was accentuated after the declaration of war, and in the middle of February the association of the owners of tramp steamers passed a resolution, which was promptly carried out, recommending the raising of freight rates by 50 per cent. And in the latter part of the same month, when the shortage of bottoms was felt most keenly, the freight rates between Osaka and Korea rose by 50 per cent; those between Osaka and Formosa, by 30 per cent; those between Osaka and Ujina or Kure, by 80 per cent; and those between Osaka and Kyushu or Shikoku, by 50 per cent. The freight rates on goods sent to Osaka from various parts of Japan also rose by 30 per cent. The situation somewhat improved in April, but the freight rates then prevailing were 30 per cent less than the highest ever attained, as by that time the deficiency was made good to some extent. Yet the rates were much higher than the peace-time schedule. Comparing the rates in May, 1904, with those in the same month of the previous year, those of the Hokkaido lines were higher by 40 to 50 per cent; the Hokuriku lines, by 40 per cent, and the Formosa lines, by 20 per cent. Though the rates on the various lines gradually lowered as more and more ships were added to our merchant marine in the first half of 1905, they were still higher than the *ante bellum* rates, generally by 20 per cent, and 50 per cent in extreme cases.

Effects on foreign routes

The Nippon Yusen Kaisha, the Osaka Shosen Kaisha, and the Toyo Kisen Kaisha were the three main steamship companies that ran vessels on foreign lines during the war. Of

these, the Formosa-South China line, the Yangtze line, and a part of the North China-Korea line were maintained without break by the Osaka Shosen Kaisha, and the Yangtze line by the Nippon Yusen Kaisha, while all other lines were suspended for a shorter or longer period.

IMPORTANT LINES SUSPENDED

Steamship lines	Steamers operated		
	Number	Tonnage	
European	12	73,000	Nippon Yusen Kaisha
American	4	25,000	
Australian	4	18,000	
Bombay	3	10,000	
Korea-North China	2	5,000	
North China	3	5,600	
Vladivostok	2	5,600	
Shanghai	3	8,500	
American and Manila	7	34,000	Toyo Kisen Kaisha

It was between the beginning of February and the first part of March in 1904 that those lines were most exposed to danger, so much so that not only the European, American, Indian, and Australian lines, but also the Korean and Chinese lines, almost suspended service. In the middle of March, however, the Korean and Chinese lines were reopened; early in April, the Hongkong-San Francisco line was resumed by the Toyo Kisen Kaisha steamer *America Maru*, followed by the Nippon Yusen Kaisha steamer *Kanagawa Maru* early in June; and in July, the Australian line was reopened by the Nippon Yusen Kaisha steamer *Yawata Maru*. Previously to this, the Nippon Yusen Kaisha chartered British steamships and reopened the European line with them in May. At first the service was monthly, but it was extended with an increased number of chartered boats. Throughout all lines, however, the service was greatly handicapped owing to the embarrassing shortage of vessels and the frequent danger from hostile warships. It is true that the decrease in our vessels on the foreign lines led to the temporary activity of

foreign steamers, which relieved the situation to a certain extent; but they did not care to come near our waters, being afraid of the Russian warships from Vladivostok and the Baltic Sea. Most of them placed restrictions on their cargoes and refused to convey any goods which might be suspected as contraband; others took a long circuitous route, rounding South America for safety. All this resulted in great inconvenience for Japan.

The freight rates in the foreign service also soared at the beginning of the war, the rise ranging from 30 to 100 per cent, according to the kinds of goods. But by the latter half of 1904 the rates settled down to a level of increase which was trifling as compared with the rates in the home service.

Too many vessels after the war

Upon the close of the war and the triumphal return of the troops, vessels of some half million tons which had been commandeered were released. These being restored to the mercantile marine, which now included vessels added during the war through new construction, purchase, and chartering, it is small wonder that there were too many vessels in the country

INCREASE OF VESSELS, 1903, 1905, 1906

Class	December, 1903		October, 1905		September, 1906	
	Number of vessels	Tonnage	Number of vessels	Tonnage	Number of vessels	Tonnage
Tons						
20–50	303	9,764	399	12,786	671	30,892
50–100	199	14,036	225	15,943		
100–300	228	37,926	246	41,460	257	43,560
300–500	84	33,175	92	35,748	91	35,151
500–1,000	77	50,596	112	79,009	134	96,107
1,000–2,000	86	126,234	121	181,454	131	198,662
2,000–3,000	66	165,334	96	232,678	106	258,054
3,000–4,000	18	62,978	39	132,215	41	139,541
4,000–5,000	5	22,478	11	48,633	11	48,671
5,000–6,000	3	16,438	5	26,755	6	31,972
6,000–7,000	19	118,305	18	112,138	19	118,305
Above 7,000	....	....	1	7,463	1	7,463
Total	1,008	657,269	1,365	926,285	1,468	1,008,383

for our use on a peace footing. The increase of vessels may be seen from the foregoing table.

Before the war, our mercantile marine consisted of some 650,000 tons, but it swelled to 920,000 tons at the close of the war, an increase of no less than 270,000 tons. In addition to this, there was no small amount of chartered tonnage. The release of commandeered vessels thus gave birth to the problem of a superabundance of ships. A keen competition ensued among the steamship companies engaged in the coastal service, and the freight rates fell at one time by some 20 to 30 per cent as compared with 1903, while the shipping traders found themselves in a trying circumstance because of the rise in the price of coal. At the same time, however, it must be remembered that the surplus of vessels led to the opening of many new lines and proved the cause of a great stride in our shipping trade. For example, the Osaka Shosen Kaisha organized the Hankow and Dalny lines; the Nippon Yusen Kaisha, the Hankow and Siam lines; the Toyo Kisen Kaisha, the South American line, besides an extension of its North American line. Up to October, 1906, tramp steamers were also newly run on the South Sea, North and South American, Hongkong, and Vladivostok lines, in all 14 ships with a gross tonnage of 40,000 tons. Meanwhile, through the rapid economic growth of this country after the war, the surplus shipping was gradually absorbed, which marked a new epoch in the development of our shipping business.

CHAPTER VII

EFFECTS ON AGRICULTURE

General Remarks

The greatest burdens of the Russo-Japanese War, as of all other wars, fell upon the shoulders of the farming class. The engine of destruction is operated by means of conscription or "blood tax," and by means of taxation and other pecuniary burdens on the nation. And the incidence of conscription fell most severely on the peasants, as will be explained later on. At the same time there is no ground for the assumption that the incidence of taxes and other pecuniary burdens was lighter on them than on other classes. The war threw great burdens on other classes, to be sure, but they were either benefited by the war or else able to seize the opportunity of promoting their own interests. For example, those pursuing trade or industry could increase their earnings either by the manufacture of, or transactions in, war supplies, by the manufacture of, or dealings in, articles for export, as our foreign trade increased through the war, or by meeting the new demands arising at home through revival of the home market. They thus added to their incomes according to the measure of their efforts. Though the war exacted heavy sacrifice from them, it gave no small amount of benefit to them. The case was quite different with the agricultural population. Their burdens were especially grievous, but they could derive nothing from the war, and there was almost no other way of earning money than by obtaining a determined amount of crop through tilling a definite area of land and selling the crop at an almost fixed price. No monetary profits were brought to them by the war, and there was no method of filling up the deficiency in labor created by the mobilization of workers. There was no way left them but

to concentrate their efforts toward a rigid economy in both expenditure and labor. But it is impossible to maintain the *status quo* in domestic economy with thrift and industry alone if the deficiency be too great. The question arises, therefore, whether the economy of the peasants in the Russo-Japanese War was sufficient to keep up their standard of living before the war. This being a problem demanding careful examination on our part, let us first examine their burdens in the campaign; next, what sort of economy they exercised in order to be able to bear these burdens; and finally, whether or not this economy had the desired effect of fully maintaining the former standard of comfort.

Burdens of the Farming Class

It is needless to say that the greatest burden of war on the nation was the entry of the able-bodied men into the army. There must have been nearly two million people who engaged in unproductive work through the war with Russia, but those who were actually at the fighting line or who took up service at the rear totaled some 1,100,000. Almost all of those men were taken away from the productive activity of the country; and it was farming that lost the largest proportion of labor by the war. The census taken in 1904 showed that there were 8,413,688 families in Japan, of which 5,416,703, or some 64 per cent, were engaged in farming. It will be a conservative estimate, therefore, to say that the farming class sent 700,000 men to the front, especially when the fact is taken into consideration that the peasants are in possession of better physique than other classes, thus rendering the percentage passing the conscription examination much higher in the country than in cities. Such being the case, the agricultural population not only sent out the largest number of troops, but also their burden in this respect fell more heavily on their interests than on other trades and occupations.

The following are the results of the conscription examination for a certain regimental district in 1904:

CONSCRIPTION EXAMINATION RESULTS, 1904

	Percentage passing as fit A
Students	21.0
Trade	28.4
Industry	32.5
Fishery	34.5
Farming	48.9
Miscellaneous	23.5
Total	30.5

It was no light blow to 5,000,000 farming households to lose 700,000 workers and to have thousands of horses commandeered at the same time, the latter making a loss almost as great to agriculture as that of human labor. It is roughly estimated that some 150,000 horses were placed at the disposal of the military authorities.

TOTAL NUMBER OF HORSES THROUGHOUT THE COUNTRY, 1902–1906

1902	1,515,108
1903	1,523,745
1904	1,390,017
1905	1,360,715
1906	1,465,466

It is not known what proportion of those 150,000 horses belonged to the peasants. Some of them must have bought new horses to make up their losses, as the decrease in the number of horses used in farming is said to have been some 40,000. It should be noted in this connection, also, that numbers of cattle were butchered for military use, and it is estimated that the cattle for farming decreased by some 50,000, bringing up the total of the decrease in horses and cattle to some 100,000.

NUMBER OF CATTLE AND HORSES USED IN FARMING, 1903–1907

Year	Cattle	Horses	Total
1903	1,016,662	1,189,683	2,206,345
1904	953,848	1,152,462	2,106,310
1905	979,099	1,149,545	2,128,644
1906	1,022,037	1,154,143	2,176,180
1907	1,008,922	1,204,031	2,212,953

Thus, some 700,000 soldiers were recruited from among the peasants, and some 100,000 head of their cattle and horses commandeered. More than that, their pecuniary burdens were heavy. The land taxes, excepting residential estates, were increased from 2.5 per cent of land value to from 5.5 to 1.8 per cent in the first increase of taxation and 1.2 per cent in the second increase—no light burdens compared with the business taxes, which were increased two and one-half times. The farming class paid land taxes to the amount of some 60,000,000 *yen* in 1904 and 80,000,000 *yen* in 1905, against 12,000,000 *yen* in 1904 and 18,000,000 *yen* in 1905 paid by the commercial and manufacturing people as their business taxes. The ratio was 5 to 1, whereas the latter classes represented nearly one half of the number of peasants in point of population. The incidence of increased taxation can not be said to have been in favor of the farming class. This was also true of other taxes which were common to both. There is no denying that the peasants suffered heavily from the increased taxation, as may be proved by the subjoined statistics regarding the cases of land taxes in arrear:

LAND TAXES IN ARREARS, 1902–1905

Year	Collected after the default process		Deficit in tax revenues	
	No. of payers	Amount of taxes	No. of payers	Amount of taxes
		Yen		*Yen*
1902	4,160	3,298	1,043	2,256
1903	5,375	3,263	1,117	2,274
1904	6,961	5,961	1,128	3,585
1905	9,358	10,427	1,584	7,889

Moreover the rural people were pressed to subscribe to the national bonds, the authorities appealing to their patriotism and adopting the policy of accepting the small applications of less than 200 *yen*. In consequence, the people, especially the country peasants, were forced to pay beyond their means.

This explains the failure of the national bonds of the first series, of which those subscribed but not paid up amounted to no less than 3,022,000 *yen*. In the issue of the later series, too, patriotic considerations are said to have induced the rural population to subscribe to the bonds beyond their resources. The farming class, therefore, suffered from increased taxation and from the paying up for national loans, so that their burdens of war were excessive both in blood and money.

To what means, then, did they resort in order to meet the exactions of this twofold nature?

General Economy

There was no option but to exercise rigid economy in all directions to tide over the difficulties, because the peasants had to shoulder heavy burdens with no possible way of increasing their earnings. It may occur to anyone that 700,000 young men withdrawn from agriculture would cause serious shortage of farm labor and ultimately lead to the desolation of the land under cultivation. But such was not the case; on the contrary, the area of land under cultivation increased during the war.

Area of Land under Cultivation, 1903–1906

Year	Paddy fields	Other fields	Total
	Cho	*Cho*	*Cho*
1903	2,831,697	2,438,474	5,270,171
1904	2,818,276	2,476,584	5,294,860
1905	2,832,569	2,476,584	5,308,153
1906	2,840,308	2,497,401	5,337,709

In spite of the enlistment of great numbers of peasants the number of farming households increased during the war, contrary to general expectation.

It is to be noted that there was some decrease in 1905, but the figures even for that year showed an increase as compared with 1903.

HOUSEHOLDS FARMING ONLY AND THOSE WITH ADDITIONAL OCCUPATIONS, 1903–1906

Year	Farming only	Farming and additional occupations	Total
1903	3,731,383	1,627,682	5,359,065
1904	3,776,798	1,639,905	5,416,703
1905	3,759,163	1,620,806	5,379,969
1906	3,819,625	1,558,712	5,378,337

Thus, in spite of the fact that farming hands were enlisted and farming cattle and horses were commandeered, both the land under cultivation and the number of farming households increased. Why? The key to the question lies in the over-population of the farming class in the country. It is a well-known fact that our tillers of soil are far too numerous for the area of land under cultivation, and there is ample room for economizing labor. The war forced this necessary economy, and that was why the cultivated land saw no decrease or desolation. On the other hand, the juvenile, aged, and feminine labor, which was not fully utilized in peace time through over-population, found a new sphere of usefulness during the war, while the male adult labor was stimulated to do a larger share of work than usual. Thus, the gap produced by the war was filled almost entirely. There was also a new tendency in evidence to replace labor by other means. This was shown in the increased number of inventions in agricultural implements and in greater use of horses and cattle in farming.

NUMBER OF PATENTED AGRICULTURAL INVENTIONS, 1901–1905

Class	1901	1902	1903	1904	1905
Sericultural apparatus	16	14	11	11	32
Farming apparatus	29	42	33	35	52
Husking machines	6	6	11	5	15
Rice-cleaning machines	6	8	4	10	25

It is to be noted that the number of patented inventions in farming apparatus increased remarkably during the war,

and this, as well as the greater use of animals, was a result of the efforts of the people to economize their labor. The fact that the number of farming animals decreased through the war and yet the area of cultivated land increased is proof positive of a better or intensified use of animals.

FIELDS TILLED BY HORSES AND CATTLE, 1903–1906

Year	Paddy fields	Other fields	Total
	Cho	*Cho*	*Cho*
1903	1,481,268	773,616	2,254,884
1904	1,518,284	813,835	2,332,119
1905	1,522,926	803,777	2,326,703
1906	1,543,378	805,039	2,348,617

In this connection, due attention should be paid to the cooperation among peasants which enabled them to make good the diminution in labor during the war. This liquidation of labor, so to speak, was carried out chiefly by the following three methods:

(1) Cooperation between neighbors and relatives.

(2) Aids extended by the patriotic league and other bodies organized to help the families of soldiers and sailors.

(3) A convenient system by which arrangements were made to postpone paying for hired labor until the autumn harvest. This enabled the self-supporting families of soldiers and sailors to get necessary hands through recommendation of influential villagers.

Thus, the peasants effected their economy of labor and managed to tide over the hard times. Mention has already been made of their pecuniary difficulties, and of the kind of economy exercised and how it operated to cause a general depression in the domestic market. Among the items of expenditure of a farmer, the most important is the purchase of fertilizers, and so his general thrift must be reflected in that purchase. Of the two chief fertilizers, bean cakes and herring, the export of the former from the port of Newchwang was stopped at one time during the war, so that the goods

were not found in the Japanese market; while the latter, from the bad catch of herring in the Hokkaido, decreased in supply. Both kinds of fertilizers rose in price considerably owing to these causes, as well as to shortage in shipping, and to the rise in insurance and freight rates due to dangers of the sea. In consequence, they began to use self-made manures instead. The use of green manure, accumulated manure, stable manure, rice bran, lime (the price of which did not rise), and night soils became more general than before. The increase of second crops by means of green manure, in particular, is shown by the following table:

SECOND CROP INCREASE BY USE OF GREEN MANURE, 1903–1907

Year	Second crop green manure fields	Percentage to other fields
	Cho	*Per cent*
1903	159,575	5.67
1904	154,003	5.49
1905	179,191	6.34
1906	199,833	7.04
1907	232,327	8.17

CHANGES IN VARIOUS OTHER DIRECTIONS

In spite of the rigorous economy exercised by the peasants, farming underwent changes in various directions through the war. Indeed, the burdens were too heavy and the deficiency too great for economy alone to make good. The following are the important indications of the poverty caused by the situation:

(1) The decrease in the crop-producing land: Though the area of land under cultivation showed no decrease, the shortage of labor was reflected in the decrease of the crop-yielding land. The area of land yielding the eight main agricultural products for food (barley, peas, red beans, millet, grain-bearing panic grass, sorghum, sweet potatoes, and potatoes) and the five kinds of special agricultural products (seed cotton, hemp, leaf indigo, leaf tobacco, and rape seed) can be tabulated as follows:

AREA YIELDING THE EIGHT MAIN AND FIVE SPECIAL AGRICULTURAL PRODUCTS, 1901–1907

Year	*Cho*
1901	6,333,340
1902	6,313,901
1903	6,334,416
1904	6,309,139
1905	6,262,168
1906	6,303,422
1907	6,321,404

This kind of cultivated land was thus reduced by six hundred to seven hundred thousand *cho*.

(2) The decline of by-products: As a result of the labor shortage, home industry among the peasants was seriously affected. Although there are no statistics available regarding the matter, a report of the Osaka Prefecture may throw some light on it. It says in part that the peasants in that prefecture had many branches of home industry, because its capital, Osaka, is a great center of industry in Japan. The lower classes, especially, depended on home industries for their main income, but the war suddenly cut off their earnings from this source owing to the retrenchment of various industries and the shortage of labor.

The old people, women, and children had to work on the farm and had little time to devote to home industry; hence their poverty went from bad to worse. Senpoku district had more labor to spare, and so its farming did not suffer from the war, but its home industries in various branches were greatly damaged. The farming population of Mishima district suffered more or less for a time through shortage in farm labor, but by stopping a part or the whole of the home industries, or by doing the work only at night, they saved their agricultural interests serious harm from the war.

(3) Transference of land ownership. This transference had become increasingly frequent before the war, but the tendency was considerably strengthened by the war. It was due to (a) financial stringency among the peasants caused by the subscriptions to national bonds and other pecuniary

burdens, which necessitated the sale of their land to meet pressing needs; (b) the sale of land as a result of the increased burdens on it, actual or anticipatory; and (c) the miserable conditions of the peasants in the northeastern provinces, caused by the bad crop failure in 1902 and intensified by the war. Thus, the frequency of transference of land ownership led to the corresponding depreciation of land value.[1]

TRANSFERENCE OF LAND OWNERSHIP, 1903–1904

Tax administration bureaus	No. of cases			Value of land	
	1903	1904	Increase or decrease	1903	1904
Sapporo	30,668	27,170	— 3,498	55	50
Tokyo	382,381	391,432	+ 9,051	140	140
Kyoto	3,818,119	3,830,950	+ 12,831	152	146
Osaka	225,627	260,168	+ 34,541	159	146
Yokohama	161,402	167,402	+ 5,535	159	146
Kobe	204,757	214,721	+ 9,964	150	140
Nagasaki	251,836	253,326	+ 1,500	141	130
Nagano	510,996	603,166	+ 92,170	147	127
Utsunomiya	241,229	301,478	+ 60,249	115	99
Nagoya	460,377	472,151	+ 11,774	165	145
Sendai	580,185	719,994	+139,809	97	82
Akita	185,789	302,418	+116,629	129	115
Kanazawa	505,009	599,828	+ 94,819	152	139
Matsue	174,999	138,586	— 36,413	110	91
Hiroshima	235,062	296,042	+ 60,980	165	152
Marugame	491,857	537,990	+ 46,043	125	111
Kumamoto	454,219	459,267	+ 4,048	181	123
Kagoshima	403,937	406,746	+ 2,809	88	62
Total	9,318,914	9,981,755	+662,841	...	...

Though there exists much material to prove the poverty or exhaustion of the agricultural population on account of the burdens of the war, the above are the most conspicuous facts, in our estimation, and will suffice to indicate the general trend of the effects of the war upon the agricultural people.

[1] Reports by the Revenue Bureau of the Treasury Department on the war-time conditions of local finance and economy.

CHAPTER VIII

EFFECTS ON THE NATIONAL LIFE

General Remarks

The effects of the war on the national life were touched upon in the preceding chapters. We now propose to systematize these fragmentary data, together with some added data, as a conclusion of our whole study.

No war exercises a favorable influence on the national life. When a war is waged at the risk of the state, the nation is called on to bear direct heavy burdens on the one hand and indirect distresses caused by the derangement of economic organs on the other. We have seen already that these things happened during the Russo-Japanese War, but the extent of their afflictions must be made clearer in this chapter. Moreover, the effects of war on the national life are not limited to the period of actual conflict, but extend over subsequent years, through the changes wrought in the distribution of wealth or in the income of the nation.

Wages and Prices

We have already invited the attention of the reader to the fact that owing to the war there were many cases of closing shops and factories, and many cases, too, of taxes in arrear. These facts indicated in some degree the sufferings of the people during the war period. It is not difficult to imagine that the middle and upper classes also suffered somewhat seriously from the war; but it is the effects of the war on the life of the lower classes that we especially want to know, and for which we have statistical data. For this purpose it is necessary to refer to the comparative study of wages and prices. The movements of the prices may be seen from the index numbers for the seven years from 1901 to 1907.

PRICE FLUCTUATIONS, 1901–1907

Item	1901	1902	1903	1904	1905	1906	1907
Foodstuff:							
Rice and other grains	91	100	125	132	128	118	128
Salt, sugar, etc.	99	98	101	120	147	145	142
Beverages	101	109	106	123	130	124	131
Average	98	102	111	124	135	129	135
Clothing	99	98	100	109	120	122	129
Oil, fuel and charcoal	97	93	90	98	104	113	116
Raw materials	95	92	92	95	100	101	100
General average	97	97	100	108	116	114	122

This table points to the fact that prices suddenly advanced during the war. That this sudden rise had close connection with the war may be seen from the following:

ADVANCE OF PRICES, 1903–1905[a]

1903	*Per cent*
January	103.35
June	106.03
December	108.29
1904	
January	111.68
March	113.45
June	105.71
September	110.35
December	111.97
1905	
January	111.42
March	112.32
June	117.00
September	119.48

[a] This table, compiled by the Bank of Japan, contains the average index numbers of 34 commodities chiefly consumed at home, inclusive of rice, barley, rye, wheat, *miso*, *sake*, soy, oils, charcoal, tiles, paper, flax, silk, etc., with the quotations for October, 1900, as 100.

Certainly there were some commodities which fell in price after the outbreak of the war, but almost all of these were luxuries. (See table at the top of page 246.)

But all the daily necessaries, especially foodstuffs, went up in price. On the other hand, the movements of wages may be seen from the table on page 246 (with the wages in 1901 as 100).

DECREASE IN LUXURIES, 1903–1905

Date	Silk linings	Silk fabrics	Silk wadding	Plate-glass	Mats
1903	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*
January	125.0	102.6	93.4	77.0	97.1
June	120.0	103.5	92.8	76.9	80.0
December	116.6	115.5	100.0	69.0	80.0
1904					
January	115.0	115.9	99.4	68.0	80.9
March	115.0	113.3	98.2	72.8	80.0
June	115.0	112.4	97.0	71.6	78.5
September	113.7	112.4	94.0	94.3	85.7
December	107.3	107.1	91.6	98.0	98.1
1905					
January	115.0	102.2	92.8	94.5	100.0
March	116.0	110.2	91.1	92.9	100.0
June	115.0	133.3	92.2	109.3	100.0
September	103.3	142.2	98.8	105.4	111.3

WAGE FLUCTUATION, 1901–1907

Wages	1901	1902	1903	1904	1905	1906	1907
Farm	102.4	100.7	105.0	104.2	109.7	111.9	126.0
Clothing and accessories	103.4	107.8	108.6	106.8	112.5	121.5	131.5
Manufacture of foods and drinks	100.9	106.6	111.2	108.6	111.2	113.4	125.8
Building	108.1	110.1	111.5	108.0	111.8	121.3	142.9
Furniture making	107.5	111.7	111.3	109.5	114.9	122.1	134.1
Miscellaneous	102.8	108.4	109.5	108.1	112.4	116.7	138.0
Average	104.7	107.7	109.5	107.5[a]	112.1[a]	118.4	134.1

[a] War period.

Taking the figures of 1901 as the base, the prices and wages of 1904 were as $108 \div 107.5$ and those of 1905 as $116 \div 112.1$, showing that living was more difficult in these two years than in 1901. The effects of the war on living, however, may be made clearer by comparing the conditions in 1904 and 1905 with those in 1903, the year immediately before the outbreak of the war.

$$\frac{\text{Wages in 1904}}{\text{Prices in 1904}} \div \frac{\text{Wages in 1903}}{\text{Prices in 1903}} = L_1$$

$$\frac{\text{Wages in 1905}}{\text{Prices in 1905}} \div \frac{\text{Wages in 1903}}{\text{Prices in 1903}} = L_2$$

It is patent that the smaller this L_1 or L_2, the more difficult was the living. If L_1 and L_2 were larger than 1, it must be concluded that the war improved the standard of living of the people.

$$L_1 = \frac{107.5}{116.0} \div \frac{109.5}{100.0} = 91.1$$

$$L_2 = \frac{112.1}{116.0} \div \frac{109.5}{100.0} = 88.2$$

The index numbers of the actual wages for 1904 and 1905 are 91.1 and 88.2, respectively, showing the difficulty of living on account of the war. The living of the lower classes must have been harder than indicated by those figures, especially when it is taken into consideration that the rise in the prices of daily necessaries, indicated by the figures quoted already, was far greater than that in the prices of general commodities.

It should be remembered that this was the life of those people and their families who stayed at home and engaged in productive enterprises. The life of the families of the soldiers and sailors was still more difficult, deprived in most cases of their main labor reliance, and many of them without any means of living except by outside help. That they were not driven to starvation was entirely due to the finely reorganized relief work. The government issued an ordinance for the relief of the families of soldiers as early as April 4, 1904. It provided for the grant of the monthly sum of 1.20 *yen* or less per person above 20 and under 60 years old; 1 *yen* or less per person above 60 and under 70, or above 12 and under 20; and 0.80 *yen* or less per child above 10 and under 12, if they could not support themselves.

In accordance with this ordinance, some 120 families or 390 persons in Osaka Prefecture received the monthly allowance of 196,056 *yen*, the total sum for relief being 1,737,080 *yen*. (Census taken in December, 1905.)

However, relief of this kind was given only to those families of soldiers and sailors who were in extreme distress. As regards the peasants' families who produced the bulk of the soldiers, their relatives, friends, and neighbors looked after

their inevitable shortage of labor with their own hands, or in many cases the town or village organizations supplied the necessary assistance at their own expense. In this connection, however, it is most worthy of notice that both public and private bodies extended efficient help to the families of the soldiers and sailors, either by giving them pecuniary assistance or by securing them employment. The following table shows the number of recipients of relief of this kind, and indicates the extent of distress among the families of the soldiers and sailors.

RELIEF IN OSAKA PREFECTURE

No. of soldiers and sailors enlisted	31,041
No. of their houses	30,597
No. of members of their families	128,875
No. of families which received relief	6,265
No. of members of relieved families	23,786
No. of recipients of relief	13,909

It is to be noted that some 20 per cent of the families of the soldiers and sailors in Osaka Prefecture needed relief. From this it may safely be inferred that a similar state of affairs prevailed in other parts of the country. Relief societies were organized by towns, villages or sections of villages, and cities. There were besides various other private bodies which extended succor freely.

FUNDS FOR THE COMFORT OF THE ARMY AND NAVY AND RELIEF OF OSAKA PREFECTURE

Revenue		Expenditure	
	Yen		*Yen*
Contributions	377,572	Relief	251,836
Proceeds from work	51,124	Allowances	81,602
Others	121,501	Comfort expenses	133,849
		Consolation	15,298
		Funeral expenses	19,692
		Memorial services	10,742
		Others	15,262
Total	550,197	Total	528,281

The Distribution of Wealth

Setting aside the effects of war after peace was restored, in the forms of the exaction of heavy taxes and a rise in general prices, we must next consider the effects of the war on the distribution of wealth. This is a question full of interest, but lacking sufficient data we must content ourselves with a cursory glance at the subject.

The war affected both the richest and the poorest classes most conspicuously. The Army and Navy contractors profited enormously through the war, while the life of the families of disabled or killed fighters suffered the worst state of misery. At the end of 1907 there were some 93,000 families of soldiers and sailors who were receiving allowances, of which 78,000 were due to the Russo-Japanese War, the rest belonging to previous campaigns. In addition, there were some 58,000 soldiers and sailors who were released with pensions. The majority of these pensions must be regarded as results of our conflict with Russia. It is easy to imagine that the families of the killed or disabled soldiers and sailors were reduced to extreme poverty, a large majority of them having no property to fall back upon.

According to the investigations of the Women's Patriotic Association, there were in 1912 some 83,000 families of killed or disabled soldiers and sailors who were so destitute as to need relief. Thus the war gave rise to a new class of needy people, together with another class which enriched itself suddenly. It is said that the Army and Navy contractors did not get as great profits through the war with Russia as in the war with China, but the Mitsui Bussan Kaisha, the Mitsu Bishi Goshi Kaisha, the Fujita-Gumi, the Okura firm of canned goods contractors, and the Takata Shokai (supplying the Navy with goods) were reported to have headed the list of those who made stupendous fortunes through the war. Those engaged in coal-mining, shipping and sea transportation also amassed large sums of money.

How was the constitution of classes affected by the war?

This is not known definitely, owing to lack of statistics, but the table of the number of payers of the third-class income tax may serve as an index of the general tendency. Of course, its value is lessened by the absence from the table of the incomes of juridical persons and the interest on public loans and company debentures.

THIRD-CLASS INCOME TAXPAYERS, 1903 AND 1906

Income	1903 (1)	1906 (2)	(2)—(1)	$\frac{(2)-(1)}{(1)}$[a]
Yen	*No.*	*No.*	*No.*	*Per cent*
300	390,881	505,086	114,205	..
500	200,173	264,916	64,743	16
1,000	71,146	94,954	23,808	12
2,000	18,456	25,178	6,722	09
3,000	11,825	15,829	4,004	24
5,000	5,940	8,066	2,126	18
10,000	1,223	1,782	559	09
15,000	413	582	169	14
20,000	278	374	96	23
30,000	158	201	43	16
50,000	64	87	23	15
100,000	19	24	5	08
Total	700,576	917,079	....	..

[a] Result obtained by dividing the number of taxpayers for 1906 minus the number for 1903 by the number for 1903 one grade below. The quotient obtained by this process shows the ratio of those taxpayers who were promoted to a higher class through increases in their incomes.

It is to be noted that in the classes 300 *yen* and below the rate of increase in income was comparatively small, while in the other classes above 3,000 *yen* the rate of increase was far greater, as a rule. It is reassuring, however, that the rate of increase in income for the classes between 300 *yen* and 500 *yen* did not fall below the level indicated.

CHAPTER IX

CONCLUSION

The war with Russia threw the greatest of burdens upon the nation. The climax of misfortune was suffered by those who fell in the field or left the service disabled forever; and the distress of the families of the killed or disabled soldiers will never be wholly relieved. Besides, the nation had to bear a debt of 1,700,000,000 *yen* of war expenditure and the consequent increase in taxation and in the burden of public loans, yoked with a painful decrease in productive capacity owing to the enlistment of no less than one million young men.

The consequences of this burden were keenly felt in various branches of our economic activity. Demand contracted suddenly and all productive industries had to retrench their work, which threatened to produce economic depression. But the nation put forth every ounce of energy in order to overcome these difficulties, and efforts were concentrated upon diligence and economy. Having fully made up their minds to carry through the war to a successful issue, the people devoted themselves to the raising of war funds and to utilizing their spare labor to give full play to their productive capacity. With the favorable development of the war situation both on land and sea, they regained their lost spirits, and the foreign markets, also, were speedily cultivated. Moreover, as the war funds were gradually scattered through the various strata of society, their purchasing power enhanced, thereby stimulating industrial activity. In short, the second year of the war—1905—ushered in a renewed economic activity. This tendency continued even after the war, though there was more or less fluctuation due to various causes.

The war marked a turning-point in every branch of our industrial and commercial growth, foreign trade and transportation service in particular having been completely reorganized through the war. If we may judge by superficial

observation, it may be safely said that as a result of the war industry in Japan progressed with leaps and bounds.

Therefore, the question as to what were the economic effects of the war may be answered as follows: They were adverse at the beginning of the war, but favorable at its close and afterward. The war itself served to stimulate economic activity and progress. It is not to be supposed, however, that the war passed without leaving any signs of economic disadvantage. Nothing is farther from the truth. In the first place, the national indebtedness amazingly increased, because of the war, from 600,000,000 *yen* to no less than 2,400,000,000 *yen*, with the interest to be paid annually amounting to 110,000,000 *yen*. In the second place, the national expenditure swelled to an enormous amount. More especially, the armament expenses suddenly increased; because the national defense works had to be extended after the war, four new divisions were added to the Army, and the Navy was also enlarged. In addition, there were many new enterprises promoted by the government, including the nationalization of railways. The ordinary expenditure alone for 1906 doubled that for 1903, and the total expenditure for 1906 inclusive of extraordinary expenses amounted to 494,700,000 *yen*. In consequence, the government decided to issue new bonds and to continue the war-time special taxes indefinitely.

These burdens were by no means a light price for a victorious war, but they were not so heavy as to thwart our economic progress, which received a sudden impetus from the war. But to say this does not mean that the recent progress of Japan in economic and other activities is due entirely to the war with Russia. The national progress is the development of the inherent power of the nation; the war served as an opportunity to develop it. Had there been no war at all the national development would have come, perhaps, without incurring any of the economic burdens from which we still suffer. In conclusion, we must remember the fact that nothing can comfort the sorrow and affliction of bereaved families caused by the loss of life through war.

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